NPTA MANAGEMENT NEWS

AUGUST 1987

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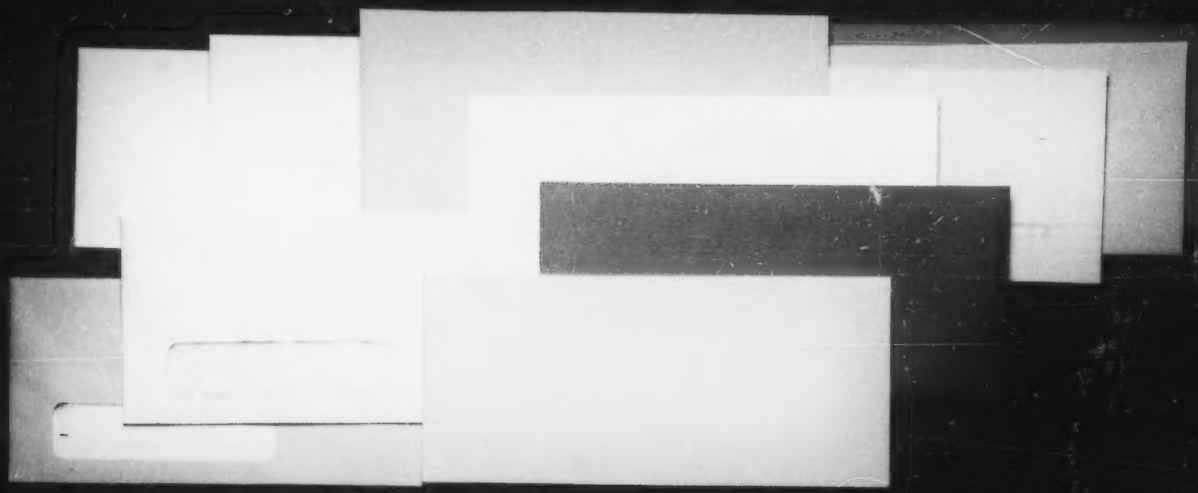
10/23/87

MN

Vintage Industry Performance?

Turn a big profit selling these:



Or turn a much bigger profit selling these:

Why settle for less when you can have more? It's as simple as that — when it comes to selling plain envelopes versus printed envelopes.

Of course, it may take a little more effort to sell the printed envelope order. But your profit will make it all worthwhile. And your customers will appreciate what printed envelopes will do for their businesses. They'll show their appreciation by placing another order. And another. And another.

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Contact a service representative at the plant nearest you to find out about our Envelope Printing Guide and our new Envelope Printing Slideshow Presentation. Both are full of helpful tips on selling printed envelopes.

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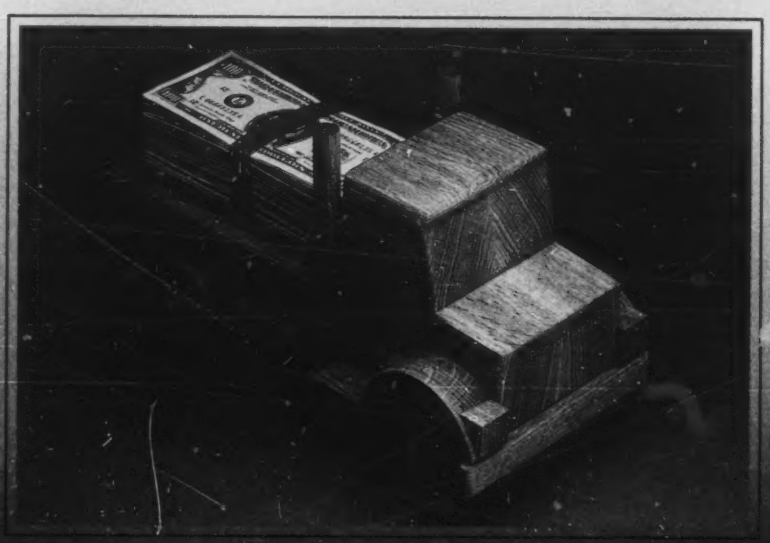
Union, NJ (Champion Envelope)

National Envelope Group
Atlanta, GA Lenexa, KS
St. Louis, MO Worcester, MA

Who but New York/National sells only to you; not to your customers.

Service You Can Bank On.



country, providing you regional access to our entire product line. So you can order hassle-free, amalgamating small quantities for quick turnaround, higher turnover and fatter profits.

What's more, we've made it policy *not* to oversell our mills, because we know how backlog delays can force buyers to hedge and over order. Instead, we work together with you and commit to a business plan geared to your forecasted needs. So we keep backlogs consistently low and ship on time. Period.

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You can count on a trouble-free run with our carbonless. That means no double feeds, jam-ups, tie-ups or foul-ups.

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The secret is consistency. Something you get only by controlling the process from beginning to end.

So we make our own pulp, manufacture the base stock and apply our own coating all in our totally integrated paper mill. We even grow our own trees.

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Because there is no mystery to running carbonless. As long as it's Mead Carbonless.

Mead Carbonless Papers

MN
NPTA MANAGEMENT NEWS
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COVER PHOTO: Richard Chesnut

FEEDBACK

Open Forum

The opinions, ideas, and concerns of the readers are important to the National Paper Trade Association—The Publisher of Management News. To get your thoughts in print, direct your correspondence to the editor.

Management Development Program "First Rate"

This is to endorse the NPTA's Paper Distribution Management Development Program that is held twice a year at Miami University in Oxford, OH.

Our class just completed the second and final week on May 8th. This recent graduate recommends that other managers in the paper distribution industry investigate this program. I consider the two weeks of training among the best of my career. The caliber of the class, the outstanding facilities, the content of the course and the faculty were first rate.

Over the course of both sessions I was offered practical and realistic information custom-designed to my needs as a paper merchant. There is no other program providing our industry managers a "total education." Week one offered attendees a comprehensive training in the financial and marketing areas of management; after six months, week two delved into the human dimensions associated with managing my people.

The NPTA and Miami University are to be congratulated.

Dennis L. Wheeler. vice president sales
West Coast Paper Company
Seattle, WA

Editor's Note: The NPTA Education and Training Department has recently produced a 15 minute introductory video tape describing the entire course content. To learn more about this program, tapes can be borrowed by contacting Bruce H. Linden, 516-829-3070.

Applauds New Regional Meetings Concept

Recently, Boston, MA, was the site of one of the new NPTA Regional Meetings. This was an excellent opportunity for NPTA members/non-members to meet with the NPTA chairman, president and staff to learn about all the various programs NPTA is developing on behalf of its members.

For many members, their only exposure, if any, to the programs offered occurs at the annual National Paper Trade Convention. Usually most attendees do not have the additional time available during the Convention to review the kinds of information presented at the Regional Meeting.

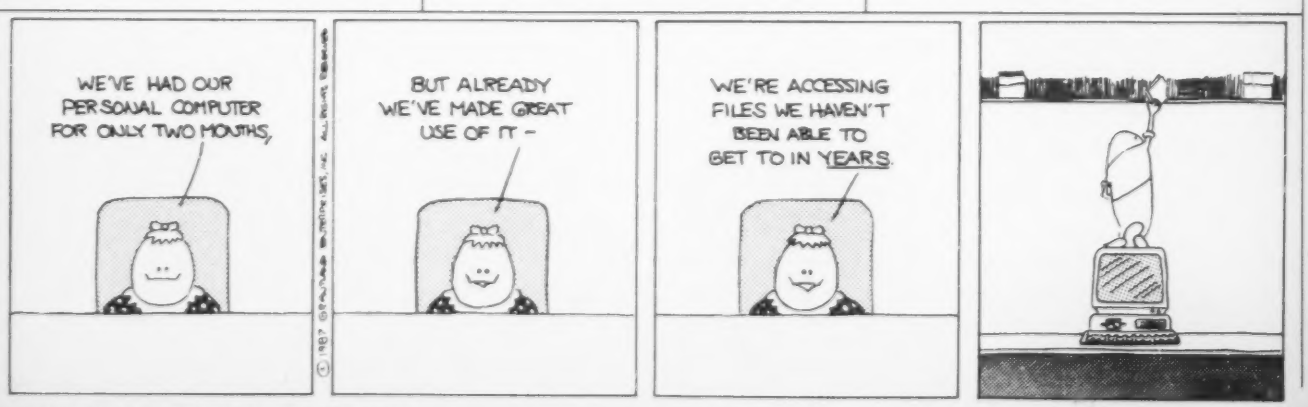
If you are interested in learning how your region performs using the PAR report; what books, video tapes and other training aids are available; what NPTA conducted or sponsored seminars are available; what NPTA conducted or sponsored marketing/operations consulting programs are available, then you should not miss one of these Regional Meetings.

The message is loud and clear. Your NPTA Executive Committee of the Board of Directors and the NPTA staff is committed to the growth of NPTA and its members in a planned and meaningful way.

A lot of time has been committed through the NPTA staff and Industry volunteer leaders to develop first rate growth development programs for our Industry. The NPTA Regional Meeting concept will get the results of that hard work to us faster and on a more personal basis and we should all be pleased to have this additional forum for development available to us.

Peter Tomasini, vice president sales
the Dowd company inc.
Woburn, MA

Editor's Note: The regional meeting concept, as envisioned by NPTA's Board of Directors, has been well-received as evidenced by this letter from Mr. Tomasini. Others wishing to express their views or suggest a regional meeting city, should write to John J. Buckley, Jr., NPTA president, at the headquarters office.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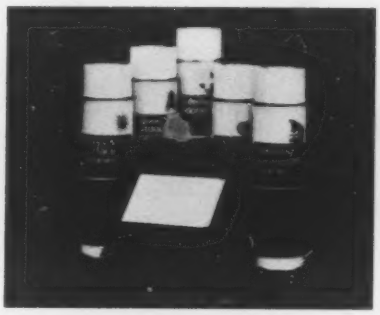

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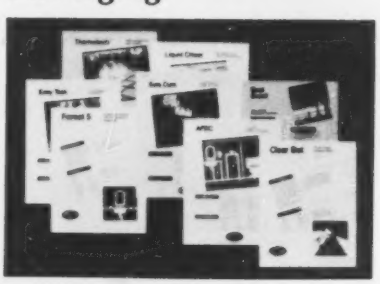

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Ris's Rogers Retires

Richard C. Rogers, president and general manager of Ris Paper Company's New England division, is retiring after a 37-year career with Ris and John Carter & Co. (acquired by Ris in 1965). Benjamin Krieger, president and COO of Ris Paper said, "We thank Dick Rogers for his many years of dedicated service to Ris Paper and the industry in general."

Craig Johnson has been named as Mr. Rogers' replacement. He has 19 years experience in the paper industry, and comes to Ris from Nationwide Papers, where he was general manager of the company's Great Lakes region. Ris Paper is headquartered in Garden City, NY, and has 18 offices across the country. It was ranked by *Forbes* as one of the 300 largest privately owned companies in the country in both 1985 and 1986.

Craig Johnson

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Caskie Paper Now Part of Carter Rice

Caskie Paper Co., with operations in six locations in Virginia, North and South Carolina, has been acquired by Carter Rice. William E. Collins, president of the Stanford Paper Co. Division of Carter Rice will assume responsibility for Caskie Paper in his new capacity of senior vice president of Carter Rice.

William E. Kelley, president of the nine-location New England Division of Carter Rice, has also been named a Carter Rice senior vice president.

Mead Agrees to Sell Six Plants to Weyerhaeuser

Mead Corporation has announced an agreement to sell six of its 14 corrugated box plants to Weyerhaeuser Company. Though terms of the agreement were not disclosed, it was expected that Mead would have a third quarter after-tax gain of 24 cents a share as a result of the sale. Last year Mead had sales of $837.4 million compared to Weyerhaeuser's sales of about $5.5 billion.

Another Printech Week Graduates Graphic Arts Specialists

The NPTA was proud to graduate 14 fine paper salesmen from its highly acclaimed Printech Week program on May 1 at Rochester Institute of Technology.

Printech Week is a highly customized in-depth training program offering classroom lectures covering theory and overview, followed by hands-on lab demonstrations of the major printing processes. Michael Keneally, vice president, Set Point Paper, stated, "Printech Week is an excellent program. I think it is as worthwhile and applicable for industrial packaging distributors as for fine paper salespeople. Printech Week is a must for sales managers and general managers who often have to deal with paper problems with their printers. The in-depth knowledge I gained from classroom instruction and hands-on lab work is invaluable."

The Printech Week program is a total immersion into a printing environment, complete with its language, processes and problems. This unique program concentrates on the printing job from the fine paper salesperson's customer's view. Printech Week courses are designed to: increase knowledge of the graphic arts, improve understanding of the printer's business, upgrade technical skills, provide hands-on experience in pre-press technology and related methods, understand paper considerations required by lithography, flexography, screen printing and the new non-impact technologies, increase knowledge of the paper-to-printing relationship and improve printing paper sales ability.

"I felt overall that Printech Week was extremely beneficial for me. It gave me a much better grasp of problems encountered by printers in producing a job. It's important for us in the paper industry to stay in touch with the latest technologies. There is no better place for us to do this than at Printech Week," stated Ron Leopker, sales representative with Shaughnessy - Kniep - Hawe Paper.

The NPTA has just released a 15 minute introductory video tape filmed at RIT. This descriptive program outlines the scope and objectives of Printech Week, and tells how participants can become effective problem solvers, giving them a critical edge in today's marketplace.

For a free loan copy and a descriptive brochure for registration, contact Bruce H. Linden, Director of Education & Training, at 516-829-3070. The next scheduled Printech Week class will be held October 18-23, 1987.

Printech Week graduates at Rochester Institute of Technology with Training and Education Center staff.

Paper Distribution Industry
Best Sellers

Rank	Publication	Last Mo.
1	New Strategies for Growth: Paper Distribution Plans for The Future. *NPTA.* $45.	—
2	Paper Merchant's Guide to Profitable Management. *NPTA.* $49.	2
3	Wholesaler Inventory Control. *VanDeMark.* $25.	6
4	What Really Helps (or Hurts) Your Company's Bottom Line. *NAW.* $50.	7
5	Strategic Planning: A Fitness Program for Wholesalers. *Arthur Andersen.* $35.	4
6	Higher Profits from Day One. *Arthur Andersen.* $250.	8
7	Win-Win Telemarketing Program. *Zibrun.* $135.	3
8	Paper & Ink Relationships. *Williams.* $30.	1
9	System Selling: A Marketing Guide for Wholesaler Distributors. *Hannaford.* $25.	10
10	Collecting By Telephone. *Dun & Bradstreet.* $49.99	—

All publications are available from NPTA

CHAIRMAN'S CORNER

Performance Reporting: Measure Your Company Against The Industry

We take a lot for granted in our business—sources of supply, our abilities to manage and to sell, sometimes even our customers—because they are always present. We conduct our business affairs trying to take the best advantage of information available that will keep us up-to-date on suppliers, management techniques, sales and customer needs. The more information we can gather, the better we will be at keeping our perspective fresh.

There is no better way to do this than through taking advantage of NPTA's Performance Analysis Report (PAR) each year. It's a free service that pays big dividends to paper distributors. The PAR is the only legal way of measuring your company's performance against the industry in an absolutely confidential way.

An overview of the collected results are contained in this issue of *MN*. If you read it with interest and are not presently receiving your own individualized, confidential PAR report, then I challenge you to participate in the survey next year. I guarantee that you will become a believer as I have.

The PAR report is an easy source of information to take for granted once you've used it for awhile. It will become a necessary part of your operation. If you use it, you'll wonder how you got along without it.

Francis J. Houlihan
NPTA Chairman

INDUSTRY NEWS CONTINUED

International Paper Merges Two Groups

White Papers Group and Hammermill Papers Group have been merged to form a new company called White Papers Business which will be headed by senior vice president Dana Mead. International Paper Company merged the two groups in order to combine, under a single management, similar businesses with comparable manufacturing facilities, products and distribution. The new company manufactures 1.7 million tons of uncoated white papers and 350,000 tons of printing bristols at 13 paper mills. According to Mr. Mead, the merger will help focus the company's resources on new product development and product promotion activities.

ISP Celebrates Centennial

Inlander-Steindler Paper Company (ISP) was founded in Chicago in 1887, and has grown into the Midwest's largest independent paper and supply products distributor organization for packaging/shipping room, foodservice disposable, janitorial/maintenance and printing office supply products. To celebrate the occasion, ISP held an open house and trade show at the company's corporate headquarters in Elk Grove Village, IL, which was attended by more than 250 people. IPS will hold similar events at each of its branches throughout the year.

Merger Creates Darter, Inc.

Kankakee Industrial Supply Corporation has joined forces with Robert Pilcher Paper Company to form a new corporation called Darter, Inc. The new company will operate out of expanded facilities at 1050 Central Avenue, University Park, IL 60466 (phone 815-726-4328), and 1015 North Fifth Avenue, Kankakee, IL 60901 (phone 815-937-3900).

Company Gets New Owner, New Name

Sordoni Enterprises, Inc., a privately owned, diversified company, has acquired the Scranton Branch of Wilcox, Walter, Furlong Paper Company and renamed it Tower Paper Corporation. Tower Paper will continue to distribute both fine paper to the printing industry and industrial paper products to industrial and institutional customers.

Sordoni Enterprises already owned the H.A. Whiteman Co. of Wilkes-Barre, PA, and intends to combine the efforts of the two companies to provide a broad selection of fine and industrial paper products to their customers.

Amoco Foam Products Plans Expansion

Amoco Foam Products Company, a subsidiary of Amoco Chemical Company, has announced plans to expand production of its foodservice products. A new 100,000 square-foot plant will be built at Corsicana, in northern Texas, which will initially employ 65-70 people, but that number is expected to grow as Amoco's market expands in the Southwest. Amoco makes a variety of foodservice products, including sandwich containers for fast-food restaurants and trays for institutional food operations.

Century Paper Reports Higher Earnings

Herschel G. Maltz, president and CEO of Century Papers, Inc., Houston, TX, reported that for the fiscal year which ended March 31, 1987, the company enjoyed pretax earnings pf $2,002,000, almost two and one-half times better than the previous year. Century Paper's unaudited net earnings were put at $1,042,000 or 93 cents per share on sales of $123 million. The previous year, on sales of $122.4 million, Century earned $507,000 or 45 cents per share.

The figures represent the best pretax earnings and one of the best net earnings years ever for the company. One of the factors enhancing pretax earnings was Century's recent disposition of its five retail Paper, etc. outlets. Century operates 17 distribution centers in Texas, New Mexico, Arizona, Colorado, Oklahoma, Tennessee and Mississippi.

Scott to Modernize Subsidiary's Plant

Scott Paper Company has announced plans for a $60 million modernization of the Muskegon, MI, plant operated by S.D. Warren Company, a Scott subsidiary. The Muskegon facility is already the nation's largest producer of premium quality coated printing paper.

The project, which includes rebuilding a paper machine as well as the construction of supporting facilities, is expected to be completed by the fall of 1988. A $60 million upgrade of the plant's energy-generating facilities had been started earlier.

Butler Paper "On Move"

One division and three branches of Butler Paper are all enjoying new facilities. The new locations, all providing added warehouse space and the most modern material handling systems, as well as easy access to highways, are being occupied by the Baltimore division and branches in Santa Rosa, CA, Springfield, MA, and Rock Island, IL.

Butler has also announced its "Division of the Year" awards for 1986. Regional awards went to Lansing, MI, for the Eastern Region; Minneapolis, MN, for the Central Region; and Tucson, AZ, for the Western Region. The national award went to Oklahoma City. All the awards were based on financial performance, management of people and assets, creativity in serving customers and overall excellence.

New Sales Training/ Marketing Company

James R. Gardner, former president of the United Group, has announced the formation of The Evergreen Group. The new company, which is located in Monroe, LA, will specialize in sales training and marketing programs for paper, plastic and chemical distributors and manufacturers. Mr. Gardner can be reached at 318-323-2752.

People in the News

Reyburn D. Gove II has been appointed vice president of the Morris Paper Company, Pittsburgh, PA. Morris Paper is part of CDA Distributors, a division of Hammermill Paper Company.

Mike O'Hara has been promoted to national sales and product manager of Portion Packaging Inc. of Trevose, PA. Bob Fernholz is the company's new northern regional sales manager and Riley Burch is the new southern regional sales manager. Portion Packaging manufactures plastic drink cups.

Michael R. Smith has joined Laminations Corporation of Neenah, WI, as vice president, marketing, for the company's West division.

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- Medical and Industrial Markets

Printing Paper

Creativity is Key to Annual Report Business

According to the National Association of Printers & Lithographers, this year's corporate and institutional annual reports, valued at more than $4.3 billion, have now been printed and mailed. According to those who keep their eyes on this market, the key ingredient for agencies and printers who would like to share in this market is the creative use of words and graphics. Some of this year's reports include far-out graphics, pop-up centerfolds and even scent printing.

Costs for annual reports can range as high as $8 per copy, and the companies that have *not* done well in sales or profits, or have had negative publicity, seem to be the very ones who are most interested in sending out dazzling reports.

Original Copy of Declaration of Independence Found

A framed copy of the Declaration of Independence that was hanging on the wall of the town clerk's office in Portsmouth, RI, was found, upon close examination, to be an original printing dated July 13, 1776. This is only the eighth known copy of the Declaration of Independence in Rhode Island, and it is estimated that it might be worth as much as $40,000.

Industrial Paper

Many Wholesaler-Distributors Affected by OSHA Move

The Occupational Safety and Health Administration (OSHA) has, by interpretation, included a large number of wholesaler-distributors within the coverage of its Hazard Communication Standard (HCS). The standard is intended to inform employees about potential hazards in the workplace.

The HCS covers any products that might result in exposures to hazardous chemicals during manufacturing use. Labels, material safety data sheets (MSDSs) and training are required for chemicals as well as products where exposure to hazardous chemicals may exist.

The HCS currently applies only to chemical manufacturers, importers, distributors and manufacturing employers in Standard Industrial Classification (SIC) codes 20-39. It is likely that OSHA will soon broaden the scope of the HCS to include all standard industrial classifications.

The OSHA HCS is two-tiered. "Tier-I" requires manufacturers, importers and wholesaler-distributors of hazardous chemicals to provide a proper container label and an MSDS to designated downstream manufacturer users.

"Tier-II" requires manufacturers, as employers of workers who would be subject to exposure to hazardous chemicals, to establish a written hazard communication program, keep the labels furnished to him on the containers which hold such chemicals, make the MSDSs available to employees and train employees in the hazards of the chemicals to which they are or may be exposed.

A wholesaler-distributor supplying to HCS-covered employers products determined to expose employees to hazardous chemicals must ensure that each container leaving the workplace is properly labeled regardless of its destination. Second, the wholesaler distributor must obtain an MSDS from its supplier and provide the MSDS to distributor and manufacturing purchasers of hazardous chemicals. This obligation to provide downstream information has been in effect since November 25, 1985.

EVENTS

SEPTEMBER

14–17. *The Sixth Converting Machinery/Materials Conference & Exposition. For more information contact: National Expositions Company, 212-391-9111.*

19–22. *NPTA's Annual Convention and Exposition "Paper People Paths to Success, Atlanta, GA. Contact NPTA.*

28. *New England Paper Merchant's Association's Golf Outing. Contact Albin R. Johnson, Jr., 617-748-2272*

OCTOBER

8–9. *TAPPI sponsors seminar on "Managing Change and Performance in the Paper Industry," Grand Rapids, MI. For more information contact TAPPI Headquarters, 404-446-1400.*

18–23. *Printech Week, Rochester Institute of Technology, Rochester, NY. Contact NPTA.*

NOVEMBER

4–6. *Trends in Paper Distribution Computerization Conference, Dallas, TX. Contact NPTA.*

8–13. *Paper Distribution Management Development Program, Miami University, Oxford, OH. Contact NPTA.*

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- Inventory Control with Multi-Warehousing
- Salesman Stock Inquiry
- Multiple Costing in Product File
- Salesman Commission Analysis
- Product Scan Inquiry
- Last Quantity and Selling Price
- Detail Purchase History
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3M's Jacobson to Speak at 1987 Main Event

Allen F. Jacobson, chairman and chief executive officer of the 3M Company, will speak at NPTA's 1987 "Main Event" on Convention Sunday, September 20. He joins Nobel Peace Prize winner Elie Wiesel on the platform at the meeting which takes place from 10:30 AM—12:00 Noon.

Allen F. Jacobson

It was with great pleasure that NPTA president John J. Buckley announced that 3M chairman Allen F. Jacobson will participate in the 1987 Convention and Exposition. "We are indeed honored to have Mr. Jacobson address the Convention this year at our Main Event. He is a man who brings an important message to our people based on his 40 year career with 3M," he said.

That message is rooted in the past with a firm grasp on the future. 3M, with over $8 billion in sales and 85,000 employees around the country and the world, has been one of America's leading innovators. The company now produces some 50,000 different products ranging from microfilm readers to blood filtration systems to tape of every description—from adhesive to magnetic.

At the helm of this giant company is NPTA's Main Event speaker Allen F. Jacobson, a career man with the company who gives listeners an enlightened perspective on business. "We take a technology and try to find every way we can use it," said Jacobson, a no-nonsense 61 year old Nebraska native. 3M has done just that under Jacobson's leadership. Good examples are the Post-it® Note Pads and their $100 million development of the optical disk for data storage.

"We know where we want to go," said Jacobson, "we think we have the resources to get us there." He provides leadership for his company and industry through a "hands-on" approach. He has demonstrated his support for wholesalers through the years and is committed to the paper distribution channel for some of the company's products.

His message to the industry will be one that Convention-goers will not want to miss this year. Sharing the Main Event stage with Mr. Jacobson will be 1986 Nobel Peace Prize winner Elie Wiesel. The meeting will begin promptly at 10:30 AM on Convention Sunday, September 20, 1987.

Don't Miss These Deadlines

August 21, 1987—All Convention registration forms must be in to NPTA by this date to assure that you will receive your badges *prior* to the Convention, thus avoiding registration lines on-site.

August 27, 1987—All hotel room requests must be in to the NPTA housing bureau in Atlanta to avoid paying higher prices for rooms after this date. NPTA relinquishes its room block on August 27, 1987.

Traveler's Information

Cabs—From the airport to NPTA Convention hotels averages about $16.00 and takes 20 minutes.

Hotels—All Convention hotels are in close proximity to each other and the Apparel Mart. The Apparel Mart is connected by a bridge to the Westin Peachtree, while the Hilton, Hyatt Regency and Marriott Marquis are all connected via underground walkways to the Apparel Mart.

Reminders

All Convention pre-registrants will receive invitations to this year's special "Return to Tara" party in the Atrium of the Apparel Mart. Suppliers participating will receive three invitations per booth or suite occupied in official NPTA hotels. Those wishing additional tickets may use the special events order form in this issue.

A special session will be held on Convention Tuesday morning that covers the important subject of substance abuse in the workplace. Plan on attending this session. The topic is too important to avoid. Denis R. Zegar, vice president of the National American Wholesale Grocery Association, will present the subject from 9:30 AM—11:00 AM on Tuesday, September 22, 1987. All are invited to attend.

The Main Event:

Hear Elie Wiesel, Nobel Peace Prize Winner, on Convention Sunday, September 20, at 10:30 AM in the Atrium of The Apparel Mart.

THE TIGER NEVER SLEEPS

CPI's PAPER TIGER

A CUSTOM SOFTWARE PACKAGE DESIGNED FOR THE PAPER MERCHANT

Paper Tiger is the result of thousands of hours of research into the specific operational requirements of the paper merchant. We first studied and addressed the unique inventory, cost, purchase, substitution and ***SALES/SERVICE*** data critical to the industry. Only then did ***CPI*** begin work on the software design we call ***Paper Tiger.***

The result? Stated simply, ***Paper Tiger WORKS.*** It's the ***COMPLETE*** system for the paper merchant. It gives you instant access to accurate, timely data that helps provide your customers with better service. As a result you sell more product, operate more efficiently and are more profitable.

If you think that these are pretty tough claims, you're right. But ***CPI*** and ***Paper Tiger*** deliver on every one of them—and more.

So, why not give us a call. We'll send you, with no obligation, an information package that details how ***Paper Tiger*** can improve your business. And you'll be taking the first step towards better sales, service and profits, plus one more extra we didn't mention—peace of mind.

CPI, Inc.
Route 34 & Artisan Way, Post Office Box 188
Colts Neck, NJ 07722
1-201-462-8900

Business Papers: A Growth Market for Paper Merchants

"The dramatic growth of the hard copy supplies industry is due to the development of new technologies occuring within the hard copy output markets. These output markets include copiers, printers, typewriters and facsimile," says Charles E. Case, director of CAP's Hard Copy Supplies Market Requirements Service. "The development of these new technologies creates new markets, thus driving the hard copies supplies industry upward."

The whole area of what has come to be known as "hard copy supplies" is exploding into the paper merchants' arena. NPTA will explore this subject in detail at the Annual Convention on Monday, September 21, when CAP International's Charles E. Case, director of their HCS Market Requirements Service, will present a business papers and hard copy supplies market forecast for paper merchants.

There is no question about it. Copier papers, business papers, special papers for fax machines, laser printers and other office equipment are part of an office revolution that many paper manufacturers have joined. (CAP estimates that the hard copy supplies industry in North America will grow from $14.7 billion in 1986 to $20.9 billion in 1991.)

The first volleys were heard by paper merchants only in copier paper sales. But the revolution has brought to the front lines many other pieces of heavy office artillery that merchants can feed with other paper and non-paper products.

Copier Paper

CAP International, a market research company specializing in the graphic arts, recently completed a study of copier paper purchasers and found, not surprisingly, that the paper merchant was the primary supplier of copier paper in the U.S. One-third of all copier paper users purchased their paper from the paper merchant. Some of the other major sources of supply were copier dealers (18.5%) and stationery stores (16.5%). The report noted that only 3.8% purchased copier paper from a catalog and only 0.1% bought from a telemarketing company. (Please note that the above percentages represent the number of *users* purchasing from each source of supply. It doesn't indicate the volume of paper sold through each channel. Since merchants are more likely to service large-volume accounts than other types of suppliers, it is probable that merchants are providing much more than one-third of the actual amount of paper that is being consumed by the copier market.) Approximately three-fourths of participants surveyed were in the "less than 10,000 copies per month" range.

Copier supplies goes beyond paper. Many merchants have broadened their product lines to include toners and developers for copiers. Survey respondents gave the following reasons why they selected their copier needs supplier:

Best Price	62.4%
Customer Service	36.5%
Location	29.5%
Supplier Provides Copier Service	27.2%
Supplies Purchase Contract Offered With Copier	6.0%
Other	12.7%

Note: Multiple responses permitted

Electronic Printer Supplies

In this area which includes computer printers—letter quality, dot matrix and high speed—paper merchants still represented the primary source of supply to the user. 37% of all CAP survey respondents reported buying paper from paper merchants. Office supply dealers/distributors were close behind at 31% and forms distributors were used by 21% of respondents. Mail order catalogs did better in this area at 11% and computer distributors had 10%.

When other supplies for electronic computer printers are included, the paper merchant does not fare as well in the survey. That is to be expected as there are more paper distributors selling paper only than paper plus ribbons, print wheels, toner cartridges, etc.

Selecting a Supplier

Users of electronic computer printer supplies were asked to rate the most important factors when selecting a source of supply for their equipment. The following should be heeded by paper distributors:

Product Quality/Performance	9.36
Price	8.93
Product Availability	8.03
Delivery Time	7.51
Customer Service	7.41
Maintenance Repair	7.14
Location/Convenience	5.59
Breadth of Product Line	4.63

10 = extremely important

Learn More at the Convention

There is much more to learn about the subject. Come hear an expert on the topic at NPTA's Annual Convention when Charles E. Case, director of CAP's Hard Copy Supplies (HCS) Market Requirements Service will present "Business Papers and Hard Copy Supplies Market Forecast" from 10:00 AM—11:30 AM on Monday, September 21, 1987.

Special Events: Don't Miss Out—Order Tickets Now

NPTA has events scheduled to meet everyone's tastes. Plan now and order your tickets so you don't miss out on these special events.

Attendance for many special events at NPTA's 1987 Annual Convention is limited. Since tickets for all events may not be available on-site, order yours early so you can be assured admission.

Chairman's Luncheon

NPTA's Chairman's Luncheon is a prominent industry event to which everyone is welcome. It will be held on Monday, September 21, with a cash bar reception (12 PM—12:30 PM) and luncheon (12:30 PM—2:30 PM).

Tickets ($75 each) are going fast. You can order them now using the Special Events ticket order form on the next page.

Lawrence H. Boling, president of Consolidated Papers, Inc., Wisconsin Rapids, WI, will be honored as this year's recipient of the prestigious Stanley O. Styles Industry Excellence Award for 1987. The presentation of this award has become a momentous occasion for the paper and plastics industry. Larry Boling joins a distinguished group of winners including William Zellerbach, Albert Duval and Howard Ris.

President Gerald R. Ford will be the keynote speaker for this event. His remarks are expected to cover current national and international events, as well as a revealing look inside the presidency.

Spouses Program

Spouses of Convention attendees can look forward to four days of exciting programs which will highlight not only Atlanta, but the gracious charm of the Old South, as well.

On **Friday, September 18**, from 11:30 AM—3:30 PM, spouses may tour the Carter Presidential Center. Mrs. Rosalynn Carter, former First Lady, will speak to the visitors after a scrumptious lunch. Then spouses will be able to visit the Presidential Library, see a 30-minute film on our former president and hear a presentation on the 20th century presidents and the major issues that confronted each. Tickets ($45) are required.

On **Saturday, September 19**, spouses may choose one of two activities: "Elegant Atlanta," including lunch (12:30 PM—4:30 PM, $37 per person) or "Presenting Atlanta," without lunch (1:00 PM—4:30 PM, $25 per person).

"Elegant Atlanta" offers visitors a variety of Atlanta architecture from an imposing villa built between the two world wars, to a humble plain farmhouse dating from before the Civil War.

"Presenting Atlanta" offers spouses a different perspective of the city. The tour begins downtown, where those attending will see some of the country's most spectacular contemporary architecture. Then, on to the Sweet Auburn section, center of Atlanta's black business and cultural heritage, where Convention spouses will see the Martin Luther King, Jr. Memorial, his birthplace and home church, Ebenezer Baptist Church.

Sunday, September 20, offers the same tour—City of Homes, Newnan, GA—at different times, to allow those who wish to attend "The Main Event" (10:30 AM—12:00 Noon), featuring Nobel Peace Prize Winner Elie Wiesel, to do so. Offered at either 10:30 AM—3:30 PM or 12:30 PM—5 PM, both tours will include lunch, with tickets priced at $40 per person.

Those attending will see two of the homes of Greek Revival and Victorian architecture, circa 1840–1916, as well as the Coweta County Courthouse.

On **Monday, September 21**, look forward to "THE REAL COKE, THE REAL STORY." After a continental breakfast (9:15 AM—10:15 AM), author Thomas Oliver will go behind the scenes at Coca-Cola to explore its decision to change Coke's formula. The session will end at 11:30 AM. Tickets are $20 per person.

All of the spouses programs require tickets. Use the Special Events order form to purchase your tickets. As stated earlier, tickets for all events may not be available on-site.

YEF Luncheon

On Saturday, September 19, from 12:30 PM—1:30 PM, a special luncheon for Young Executives Forum (YEF) members will be held. This is an excellent opportunity for up-and-coming managers to meet and share experiences. Tickets are $35 per person.

Return to Tara

Return with NPTA to the Old South. Return to the days of beautiful plantation homes and gardens and a less complicated way of life...*Return to Tara* on Convention Saturday from 6:30 PM—8:00 PM in the Atrium of the Apparel Mart.

Recapture the ambiance of the Old South with a majestic setting of an antebellum mansion and its formal garden fountains, representing the charm and graciousness of the past in all its former glory.

Everyone who pre-registers will be invited to attend this magnificent reception in the building that houses NPTA's Paper/Plastics & Allied Products Exposition. Only merchants who pre-register (members and non-members) will be sent free invitations. For those who register on-site or would like to purchase additional tickets, the cost is $15 each.

All suppliers who are exhibiting in the Show will receive three free invitations to the reception. All suppliers occupying hospitality suites in official NPTA hotels will also be sent three free invitations. Additional tickets may be purchased for $15.

Please use the Special Events ticket order form to request your tickets.

SPECIAL EVENTS TICKET ORDERS

OFFICE USE ONLY

Check # _____ Amt. _____

Order Rec'd. _____

Tickets Mailed _____

Deadline	Mail To	Payment
Order Form Must Be Received At NPTA By **August 15, 1987.** After That Date All Tickets Must Be Picked Up On-Site	National Paper Trade Association, inc. 111 Great Neck Road Great Neck, New York 11021	PAYMENT MUST ACCOMPANY THIS FORM. Tickets for Special Events Are Not Refundable After September 1, 1987. Photocopy for your records.

TICKETS FOR ALL EVENTS MAY NOT BE AVAILABLE ON SITE: ATTENDANCE IS LIMITED

Chairman's Luncheon: *Stanley O. Styles Industry Excellence Award Presentation: President Gerald Ford, Keynote Speaker*

Monday, September 21, 1987
12:30 p.m. - 2:30 p.m.: ..... Hyatt Regency Atlanta

(Proceeds from the Luncheon will be donated to the PAPER Foundation. The full ticket price is totally deductible under the new tax law.)

_____ tickets at $75.00 each $ _____
_____ tables of 10 at $750 $ _____

Young Executives Forum
Reception, Luncheon, Special Meeting.
Saturday, September 19, 1987
12:30 p.m. - 2:30 p.m.

_____ tickets at $35.00 each $ _____

Paper People Paths To Success Reception.
Atlanta Apparel Mart Atrium
Saturday, September 19, 1987
6:30 p.m. - 8:00 p.m.

_____ tickets at $15.00 each $ _____

Spouses Program: *Atlanta: A Real Treat*

Friday, September 18, 1987
11:30 a.m. - 3:30 p.m.
Luncheon at the Carter Presidential Center.
Presentation by Mrs. Rosalynn Carter followed by a Tour of the Center.

_____ tickets at $45.00 each $ _____

Saturday, September 19, 1987
CHOOSE ONE:

- **Elegant Atlanta.** Introduction to the City of Atlanta. **This Tour Includes Lunch.**
  12:30 p.m. - 4:30 p.m.
  _____ tickets at $37.00 each $ _____
- **Presenting Atlanta.** Introduction to City of Atlanta. **This Tour Does *Not* Include Lunch.**
  1:00 p.m. - 4:30 p.m.
  _____ tickets at $25.00 each $ _____

Sunday, September 20, 1987
CHOOSE ONE: *(Both tours include lunch)*

- House Tour of Newnan, GA.
  10:30 a.m. - 3:30 p.m.
  _____ tickets at $40.00 each $ _____
- House Tour of Newnan, GA.
  12:30 p.m. - 5:00 p.m.
  _____ tickets at $40.00 each $ _____

Monday, September 21, 1987
9:15 a.m. - 11:30 a.m.
"The Real Coke, the Real Story" by Tom Oliver

_____ tickets at $20.00 each $ _____

REMEMBER! ORDER CHAIRMAN'S LUNCHEON TICKETS NOW.

CHECK MUST ACCOMPANY ORDER — TOTAL FEE REMITTED $ _____
All Funds Must Be In U.S. Dollars

PLEASE MAIL TICKETS TO: _____

NAME: _____

COMPANY: _____

ADDRESS: _____

CITY: _____ STATE: _____ ZIP: _____ PHONE #: _____

Names of Young Executives Forum Participants: _____

*This 12:30 p.m. departure time is for those who wish to attend NPTA's "Main Event, 10:30 a.m. - 12:00 Noon, featuring Nobel Peace Prize Winner Elie Wiesel.

The Sales Professional 1

A special section dedicated to those who sell or manage the sales function

NPTA Offers Customer Service Training Program

By failing to provide training to anyone but field salespeople, many sales managers miss a tremendous opportunity to help their companies increase sales. Field salespeople *do* need training in product knowledge, time and territory management and selling skills. The better trained and motivated they are, the greater likelihood they will be effective. However, another important sales group is frequently overlooked—a group which, according to recent research, has 17 times more daily contact with your customers than field salespeople.

Who are these overlooked people? They are customer service representatives and order clerks, and they are prime targets for sales training. Here's why:

When employees are trained to see complaints as sales opportunities, new avenues are opened to improve corporate profitability and increase sales.

Complaints are often opportunities to sell customers. However, if customer service representatives are not trained to be sales-oriented, or if you have not devoted time to train them in basic selling skills, you may be missing a real opportunity to improve your company's bottom line.

Training in such selling skills as developing rapport by using effective probing techniques and overcoming objections, can do much to enhance the confidence and effectiveness of employees who deal directly with both satisfied and dissatisfied customers. Customer service representatives are in constant search of simple techniques for increasing customer satisfaction. They experience a strong sense of accomplishment when they can turn around the most difficult of customers. Improved sales skills will help them attain this goal more frequently.

The motivational tips and techniques you provide salespeople are also useful to customer service representatives. Keeping them excited about their jobs reduces turnover, works against the potential problem of "burnout" and increases their willingness to "go the extra mile" in serving customers.

Building a strong sense of pride and professionalism can begin through the implementation of a positive results-oriented training program to help customer service employees meet their goals.

NPTA is pleased to offer your customer service people a training course especially tailored to their job responsibilities. In one-and-a-half days, the NPTA can take your sales service reps through its highly acclaimed Customer Satisfaction Telephone Skills (CSTS) program. Here's what they'll be able to accomplish:

- Set a direction at the beginning of a call.
- Use probing techniques to uncover customer problems.
- Use acknowledging skills to put customers at ease.
- Use informing skills to avoid misunderstandings.
- Handle angry customers to solve the problem faster.
- Avoid being put on the defensive.
- Conclude the call by making recommendations that are understood and accepted.

To learn more about CSTS, contact Bruce H. Linden at 516-829-3070.■

The "Accent" is on Appleton Papers

Appleton Papers Inc. of Appleton, WI, a member of the BATUS Group, has published a four-color brochure titled *Accent* which describes the company, its operations, products, research facilities, etc., as well as the communities in which it is located. The brochure has two covers, the first being printed on Cabaret™ cover stock while the second is printed on the company's Eve™ brand of translucent printing film. The BATUS Group, part of B.A.T. Industries p.l.c. of London, England, which owns Appleton Papers Inc., also owns retail stores such as Marshall Field's and Saks Fifth Avenue, and the Brown & Williamson Tobacco Corporation. ■

Linweave Fine Papers, Inc. has announced that effective immediately IPAC/Pacific Paper Sales (PPS) will be representing the mill to the paper merchant community on the West Coast. IPAC primarily represents foreign suppliers while PPS has been established to represent only domestic mills. Standing left to right are Larry Gavens, Linweave's national sales manager; Bill Anderson, PPS president; I. Harris Belsky, Linweave's executive vice president; and Mike de la Cuesta, PPS marketing manager.■

Service: The Key to a Long-Lasting Relationship

To be successful in today's selling environment, there are many chances for a salesperson to provide that one extra bit of service—the key to a long-lasting business relationship. Some of the opportunities for providing services are:

- Special assignments that help to build strong rapport with both prospective and active accounts.
- Assisting accounts in developing their full potential.
- Providing ideas and information accounts can use to streamline operations, reduce downtime, stimulate turnover, innovate and develop new markets.
- Analyzing techniques and procedures that improve performance and profitability.
- Assisting accounts to project the best possible image through advertising and promotions.
- Communicating trends affecting the markets or trade areas of accounts.
- Identifying problems and providing possible solutions.

Unlike outside selling, which is tangible, service is an intangible element. It is something done for someone else. The only way by which a reputation for satisfaction can be built is through the salesperson's ability to provide complete, continuing, effective service. This requires that the salesperson:

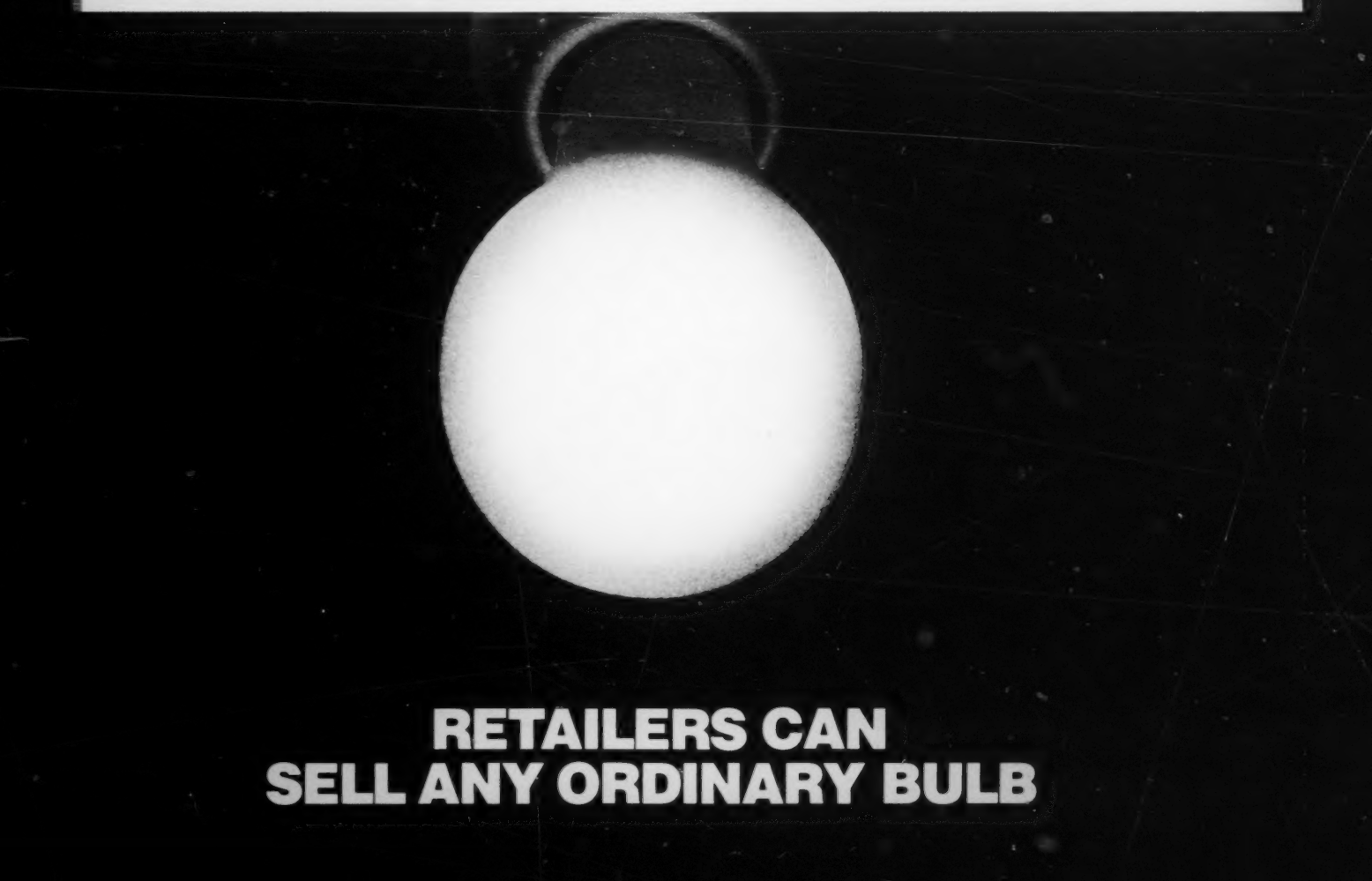
- thinks about each account on an individual basis, giving special attention and detail where required.
- gives undivided attention to the needs of each account, evidencing a sincere interest in its business, and trying to help it grow.
- takes pride in being an expert in the field of selling and being a consultant.■

"Mr. Smith's Problem"

The story is told of a doctor who called a plumber late at night to complain about a clogged drain. The plumber said, "Drop two aspirin down the drain and call me in the morning."

What is your reaction when you get a call for help from one of your customers? Do you give the same type of "take two aspirin . . ." advice and hope that the problem will solve itself? Or do you make a serious effort to find the solution? Some problems might be solved over the phone if they are brought to the attention of someone who is knowledgeable. If you don't have the knowledge yourself, do you know who in your company might have it?

Since nobody can know all the answers to everything, the next most important thing is knowing where to find the answers. He who possesses such knowledge will also possess a flock of happy customers.■



Survey Rates Sales Forces

A recent issue of *Sales and Marketing Management* magazine carried the results of their Third Annual Best Sales Force Survey. Results were determined by averaging the scores each of the 10 largest companies in 13 industries made in seven categories. The categories (in order of importance according to those taking part in the survey) were: reputation among customers, holding old accounts, opening new accounts, quality of training, ability to keep top sales people, innovation and product/technical knowledge.

The top 10 companies in the Forest Products Industry were, in ranked order, Kimberly-Clark, Scott Paper, Champion International, James River Corp. of Virginia, Weyerhaeuser, Mead, Boise Cascade, International Paper, Crown Zellerbach and Georgia Pacific. In the Wholesale Distribution Industry, Alco Standard placed fourth. ■

Butler Paper's Austin division recently announced the winners of its annual "Mill Representative of the Year" awards. Arlon Bindseil (l) is shown with Randeen S. Torvik of 3M's Industrial Specialties Division, who won for industrial products, and Bill H. Johnson, regional sales manager for Karolton Envelope, who was a second time winner for printing paper. The award in each category is given to the representative who has provided Butler's Austin division with the best service, training and support.■

Marvel long-life lamps are not your ordinary light bulbs. They cost less, and last twice as long. And since they're sold exclusively through distributors, you never have to worry about price cuts at the retail level. Marvel has a full line of long-life incandescents, fluorescents, special-colored fluorescents, quartz, mercury vapors, high and low pressure sodium lamps and now new Ener-Gee Save™ lamps.

Plus all the promotional materials you need to spark your customers' interest. Turn the lights out on retail competition. Sell the bulb they can't. Give us a call toll free (800) 845-6421. We'll be glad to show you the light.
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(An American Brands Company)
222 Bridge Plaza South
Fort Lee, New Jersey 07024

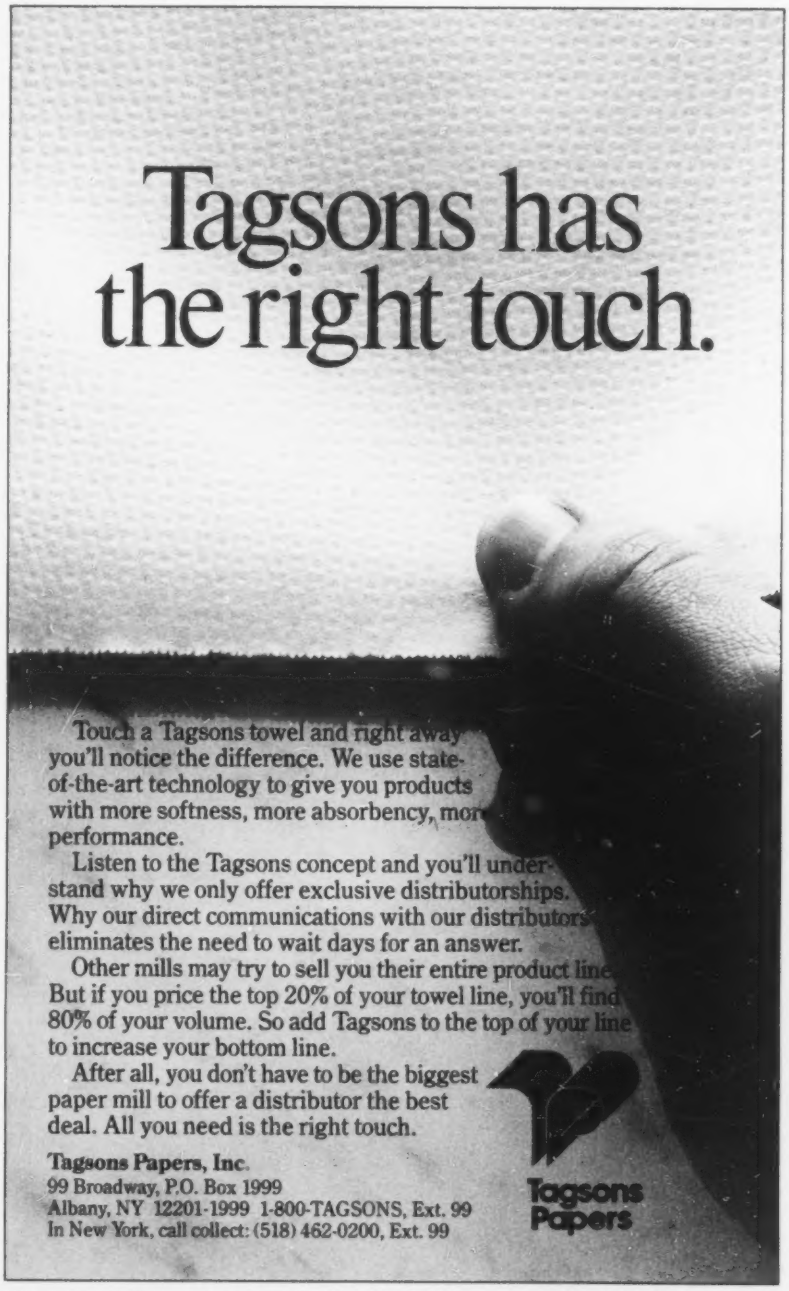
BUT ONLY DISTRIBUTORS CAN SELL A MARVEL™

Sales Briefs

DRL MARKETING COMPANY, INC. of Northport, NY, has been appointed the official representative for Carroll Company and Southern Chemical Products in metropolitan New York, Long Island, Eastern New York and Northern New Jersey.

GO-JO INDUSTRIES, INC. has announced a new waterless hand cleaner called GO-JO Plus®, which is available in a 3.3 oz. tube. According to the Akron, OH, company, the small tube contains enough cleaner for 80 hand washings, and their product will remove most difficult greases, oils and stains while soothing and conditioning your hands. Besides emulsifiers, the cleaner contains Vitamin E and Aloe Vera.

Another new hand cleaning product from the company is GO-JO SILK SCRUB® which is designed to remove adhesives, solvents, body filler, paint, RTV silicone and wood stain. The cleaner comes in 3 oz. tubes, 14 oz. dip can and larger cartridge refills. For more information, write Go-Jo Industries, Inc., P.O. Box 991, Akron, OH 44309 or call 800-321-9647 (outside of Ohio). Ohioans can call collect 216-920-8100.


Tagsons has the right touch.
Touch a Tagsons towel and right away you'll notice the difference. We use state-of-the-art technology to give you products with more softness, more absorbency, more performance.
Listen to the Tagsons concept and you'll understand why we only offer exclusive distributorships. Why our direct communications with our distributors eliminates the need to wait days for an answer.
Other mills may try to sell you their entire product line. But if you price the top 20% of your towel line, you'll find 80% of your volume. So add Tagsons to the top of your line to increase your bottom line.
After all, you don't have to be the biggest paper mill to offer a distributor the best deal. All you need is the right touch.
Tagsons Papers, Inc.
99 Broadway, P.O. Box 1999
Albany, NY 12201-1999 1-800-TAGSONS, Ext. 99
In New York, call collect: (518) 462-0200, Ext. 99
Tagsons Papers

BROWN-BRIDGE/KIMBERLY-CLARK has introduced a new permanent adhesive for its Strip-Tac Roll Pressure Sensitive product line. The new adhesive, designated B-145, is a rubber-based, pressure sensitive, general purpose adhesive that can be used on a wide variety of substrates. It is designed to resist label edge lift on curved or angled surfaces, even in environments with higher than normal humidity levels. Additional information can be obtained from a local Brown Bridge/Kimberly-Clark sales representative or call 800-543-9452 outside of Ohio or 800-537-0716 in Ohio.

HAMMERMILL PAPERS has announced the appointment of three companies as franchised merchants, carrying Hammermill's full line of fine printing and business papers. Kirk Paper Company, San Francisco, will cover the northern California area, effective June 15, 1987; Mead Merchants will represent Hammermill in the Cincinnati area, effective May 1, 1987; and Sloan Paper Company will sell Hammermill's papers in the Tampa, FL, area.

HAMMERMILL PAPERS newest booklet uses the theme of a designer's portfolio to promote the company's line of text-like printing papers. The booklet's cover is printed and embossed to imitate the texture and look of a real portfolio.■

The Oldest and Most Successful Paper Distribution Software Package

is New Again

Newly Released

STANDARD PAPER
SP/DP Plus

New Features:

- Increased Margins
- Better Customer Service Functions
- Inventory Management & Forecasting
- Telemarketing & New Customer Prospecting

New Hardware Portability:

Now runs on the new, powerful NCR TOWER in addition to the updated QANTEL computer line

Call Ed Mazer 413/736-1000
Standard Paper Software Marketing Corp.
180 Lyman Street
Springfield, Mass. 01103

Turn-Key Hardware/Software Solutions from One Source

1986 Industry Performance: Industrial Paper Merchants Lead

Early each year, the Association conducts its most comprehensive survey of the paper distribution industry—the Performance Analysis Report (PAR). Major findings are presented here, but a wealth of detailed information is contained in other sources, such as the Paper Merchant Performance book which was sent free to all members in July, and Industry Performance Surveys held at NPTA headquarters.

by John S. LaRosa
NPTA Director of Research

INDUSTRY SNAP SHOT

- **Percent Increase In Sales Over 1985 .. 5.6**
- **Warehouse Gross Trading Margin.... 22.5**
- **Indirect Gross Trading Margin 18.5**
- **Direct Gross Trading Margin 7.7**
- **Operating Expenses As % Gross Trading Margin 87.8**
- **Net Profit Before Tax As % Net Sales..... 2.2**
- **Inventory Turnover (times per year) 4.9**
- **Days Sales In Accounts Receivable 41.9**
- **Average Warehouse Order Size..... $311**
- **Net Sales Per Employee $366,180**
- **Sales Service & Selling Expenses As % Gross Trading Margin.... 37.3**

The Association's 52nd annual Performance Analysis Report (PAR) survey was a resounding success in many ways. Merchants participating in the program filed their data earlier, resulting in the highest number of questionnaires comprising the database of industry averages since 1982 (244 different locations). Furthermore, the sales volume represented by survey participants soared 23% to a record $9.4 billion. Volume for the past few years had levelled off at $7-7.5 billion.

The Average Paper Merchant

The "average" printing, industrial and dual paper merchant is analyzed in this article by examining key sales, profitability and asset management measures. Performance is tracked for calendar years 1985 and 1986. A company may differ from these national averages, but it is useful to compare individual company results with these industry averages to see how well that firm has performed.

Composite means have been used for all data. These figures are the most meaningful, since they represent the performance of each group as a whole, yet they are weighted for large and small firms.

Industry Performance Overall

The paper distribution industry as a whole grew by 5.6% during 1986, up slightly over last year's pace. What's more noteworthy, however, is that with paper price indexes rising only 0.5%, *real* (inflation adjusted) sales grew 5.1%—a very respectable rate. Operating expenses continued to climb, to 87.8% of gross trading margins in 1986. This contributed to sliding pre-tax profitability (2.2% of net sales) and return on total assets (8.67%). Asset management held fairly steady in 1986, with only slight changes in the rate of inventory turnover (4.9 times yearly) and receivables outstanding (41.9 days' worth).

Following is a breakdown of results in the major performance areas, namely: sales growth, profitability and asset management, analyzed by printing, industrial and dual merchant group, and by region when significant.

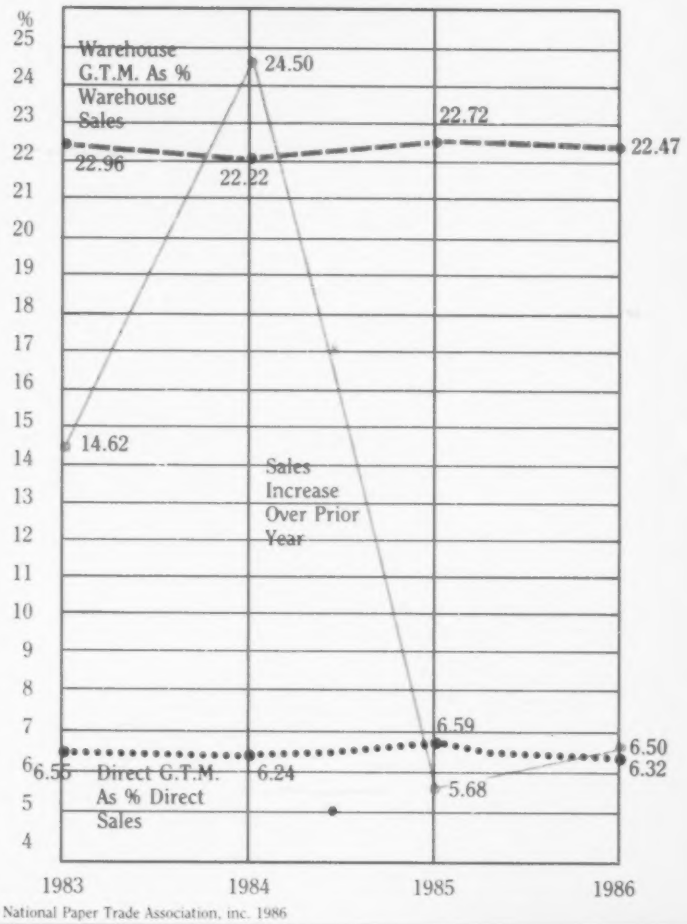
Table 1 THE AVERAGE PRINTING PAPER MERCHANT

COMPOSITE MEANS*	1985	1986
SALES PERFORMANCE		
Percent Sales Change Over Prior Year (%)	5.68	6.50
Warehouse Sales As % Total Sales (%)	45.8	45.2
Direct Sales As % Total Sales (%)	49.0	49.6
Avg. Warehouse Order Size ($)	$406	$352
PROFITABILITY & OPERATING EXPENSES		
Net Profit Before Tax As % Net Sales (%)	2.58	2.18
Warehouse Gross Margin As % Warehouse Sales (%)	22.7	22.5
Indirect Gross Margin As % Indirect Sales (%)	17.3	17.6
Direct Gross Margin As % Direct Sales (%)	6.6	6.3
Operating Expenses As % Gross Trading Margin (%)	83.3	85.4
ASSET MANAGEMENT		
Inventory Turnover (Whse. only, times per year)	4.3	4.4
Days Sales In Accts. Receivable On Nov. 30 (Days)	44.4	43.9

*Composite means reflect the performance of each group as a whole.

Chart 1

Printing Paper Merchant Performance



Source: National Paper Trade Association, inc. 1986

Sales Performance

With sharply reduced inflation rates and strong competitive pressures, paper merchants posted very moderate sales gains again in 1986. Industrial houses led the way with a 7.2% increase, slightly lower than last year's pace. Printing paper sales grew by 6.5%, a little less than 1% better than 1985. Dual merchants' sales also improved, but were up a mere 3.6%. These gains seem small in comparison to the high-inflation years of the early 1980s, but must be examined in view of *real* or inflation-adjusted growth, which comes out quite well.

Companies in NPTA Region 8 (Midwest) fared better, with a 9.5% sales gain, while those located in Region 9 (Pacific Northwest) posted a mere 2% sales increase. Dual houses placed heavier emphasis on *warehouse* sales in 1986, the share of total volume rising from 52% to 60%. Printing paper merchants have the highest percentage of *direct* sales, and this share rose slightly to nearly 50%.

The size of the typical warehouse order trended downward for all three types of merchants during 1986, from $406 to $352 for printing paper houses, from $245 to $244 for industrial and from $341 to $305 for duals.

Table 2 THE AVERAGE INDUSTRIAL PAPER MERCHANT

COMPOSITE MEANS*	1985	1986
SALES PERFORMANCE		
Percent Sales Change Over Prior Year (%)	7.55	7.18
Warehouse Sales As % Total Sales (%)	71.0	73.1
Direct Sales As % Total Sales (%)	23.0	22.5
Avg. Warehouse Order Size ($)	$245	$244
PROFITABILITY & OPERATING EXPENSES		
Net Profit Before Tax As % Net Sales (%)	2.06	2.08
Warehouse Gross Margin As % Warehouse Sales (%)	23.5	24.4
Indirect Gross Margin As % Indirect Sales (%)	22.8	23.3
Direct Gross Margin As % Direct Sales (%)	13.4	13.7
Operating Expenses As % Gross Trading Margin (%)	92.9	93.7
ASSET MANAGEMENT		
Inventory Turnover (Whse. only, times per year)	6.6	6.2
Days Sales In Accts. Receivable On Nov. 30 (Days)	38.6	38.4

*Composite means reflect the performance of each group as a whole.

Profitability Performance

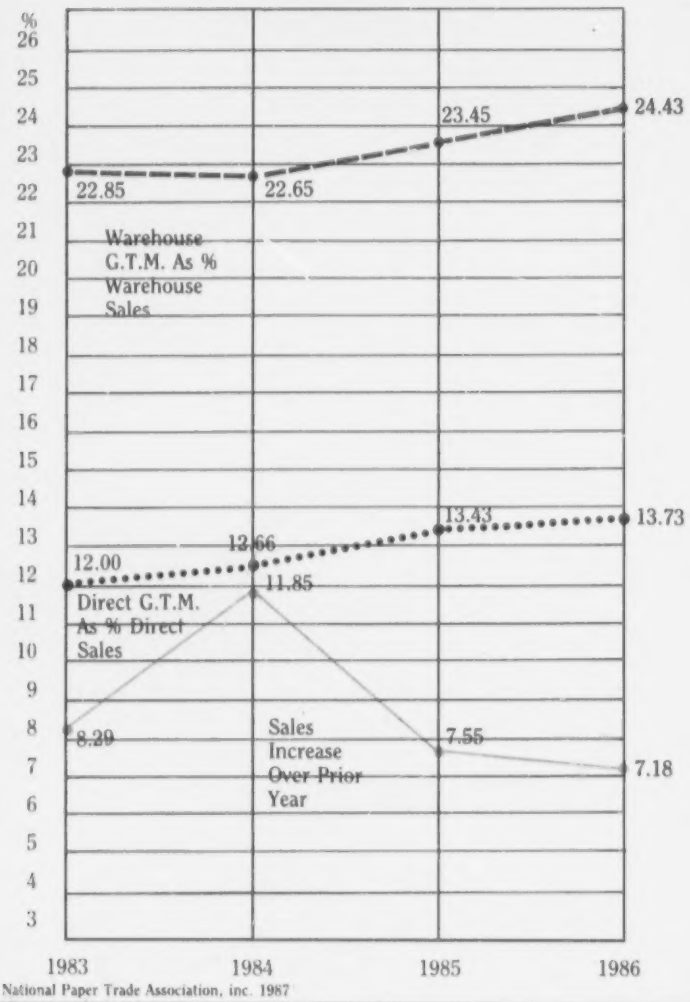
There are several important indicators that merchants use to measure how profitable their operations are, and their return on investment performance. Probably the most commonly tracked are Gross Trading Margins, Pre-Tax Profits Relative to Sales, and Return on Total Assets. The main factors affecting profitability include: the management of operating expenses, sales and competitive market pressures and individual company policies regarding owner-manager compensation.

Warehouse gross margins (as % of warehouse sales) rose strongly for industrial mer-

John S. LaRosa

Chart 2

Industrial Paper Merchant Performance



Source: National Paper Trade Association, inc. 1987

chants in 1986, to 24.4%, best of all merchants. Printing and dual margins fell, to 22.5% and 21.7%, respectively. The dual houses' erosion of warehouse gross margin was a full percentage point—a significant decline. *Direct* margins followed a similar pattern, falling slightly for printing and dual merchants, to 6.3% and 9.4%, respectively. *Indirect* gross margins rose slightly to 17.6% for printing, were up to 23.3% of indirect sales for industrial and fell off to 18.5% for duals. NPTA Region 5 (Midwest) and Region 7 (Southwest) companies posted the best warehouse gross margins, and Region 3 (Southeast) firms registered substantially higher direct margins (11.4% vs. 7.7% U.S. average).

Not surprisingly, "pre-tax profits as a percent of net sales" slid for the second consecutive year for printing and dual firms, dropping from 2.58% to 2.18% for printing and from 2.73% to 2.32% for dual. The exception was industrial houses, where net profits inched up to 2.08%, despite rising operating costs. Region 3 companies posted the best pre-tax profit figure—3.4% of net sales (vs. U.S. average of 2.2%).

Virtually all merchants had higher operating expenses during 1986. "Operating expenses as a percent of gross trading margin" rose from 83.3% to 85.4% for printing paper merchants, from 92.9% to 93.7% for industrial, and from 85.9% to 88% for duals. Region 3 firms had the *lowest* operating expenses (83.3% of gross margins), while Region 9 firms had the highest at 94.6%.

ROTA, return on total assets (net profit before tax as % of total assets), is not shown in this article's tables or charts, but is a key profitability indicator. It slipped from 10.39% to

Table 3 THE AVERAGE DUAL MERCHANT

COMPOSITE MEANS*	1985	1986
SALES PERFORMANCE		
Percent Sales Change Over Prior Year (%)	1.59	3.59
Warehouse Sales As % Total Sales (%)	52.5	60.3
Direct Sales As % Total Sales (%)	40.5	33.1
Avg. Warehouse Order Size ($)	$341	$305
PROFITABILITY & OPERATING EXPENSES		
Net Profit Before Tax As % Net Sales (%)	2.73	2.32
Warehouse Gross Margin As % Warehouse Sales (%)	22.9	21.7
Indirect Gross Margin As % Indirect Sales (%)	18.8	18.5
Direct Gross Margin As % Direct Sales (%)	9.5	9.4
Operating Expenses As % Gross Trading Margin (%)	85.9	88.0
ASSET MANAGEMENT		
Inventory Turnover (Whse. only, times per year)	5.2	5.3
Days Sales In Accts. Receivable On Nov. 30 (Days)	39.2	39.4

*Composite means reflect the performance of each group as a whole.

8.59% for printing paper houses, and from 11.06% to 9.04% for duals. Again, the exception was industrial firms, whose ROTA rose from 8.15% to 8.20%. Region 3 and 4 firms had the best ROTA measures, at 13.01% and 12.64%.

Similar to "return on net worth," a good rule of thumb for ROTA performance is that an *average* return should equal inflation plus 5%. With inflation last year at 1.1%, then the average ROTA should be 6.1%. A *high-performance* goal would be inflation plus 10-12%. With lower inflation, companies should have *expected* ROTA to trend downward over the last few years.

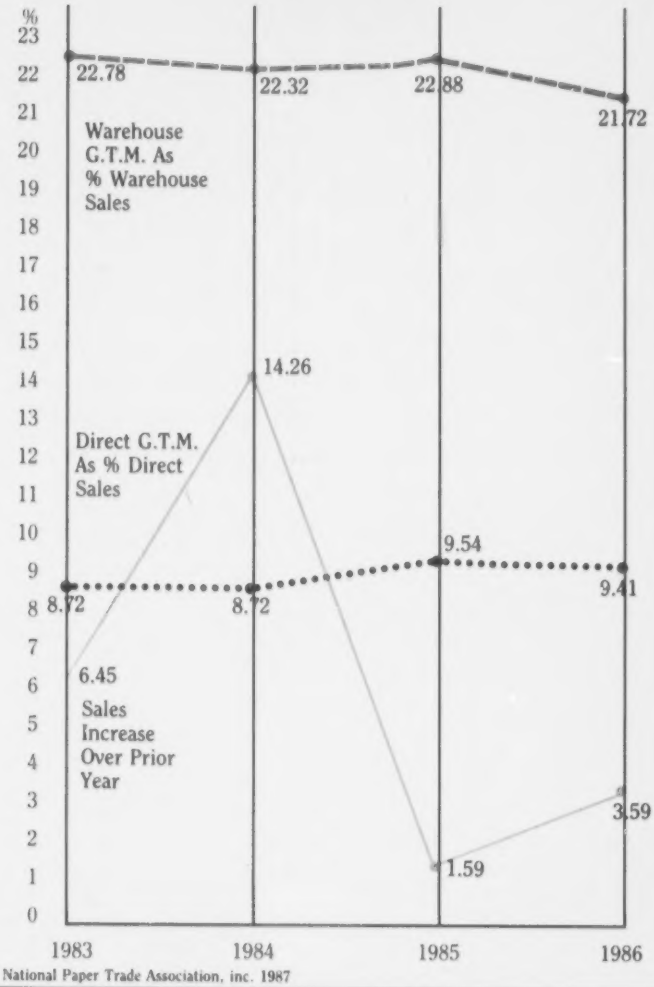
Asset Management

Inventory and accounts receivable can represent over 80% of the typical merchant's assets. Consequently, two widely watched asset management indicators are yearly inventory turnover and the days' sales in accounts receivable.

Merchants turned over their stock at pretty much the same pace in 1986 as in 1985, 4.4 times per year for printing paper houses, 6.2 times for industrial and 5.3 times for dual. Region 2 (Mid-Atlantic states) companies had the fastest turnover at 5.9 times annually. Receivables were collected a little faster in 1986 by printing and industrial firms, 43.9 days and 38.4 days, respectively. But they rose slightly to 39.4 days of sales for duals. Region 1 (Northeast) company receivables represented a very high 48.3 days worth of sales (vs. a U.S. average of 41.9 days).

Chart 3

Dual Paper Merchant Performance



Source: National Paper Trade Association, inc. 1987

Summary

In many ways, 1986 was a carbon copy of 1985 performance for paper distributors. Sales growth was moderate and profits were squeezed again, in the face of higher operating costs. There were no big improvements in asset management. Inflation heated up a little, but still remained very low, resulting in very good real growth. If one paper *merchant group* had to be picked as the "winner" of 1986, it would be the industrial merchants, who led in sales growth and profitability. If one *region* had to be singled out as the winner, it would be the Southeast states (NPTA Region 3). This region's firms, at least as far as respondents to the PAR survey are concerned, had better-than-average sales, the least amount of receivables due, best ROTA and pre-tax profitability, best direct gross trading margins and lowest operating costs.

NOTE: Information derived from the PAR survey is extensive, and could never be covered fully in one article. NPTA headquarters retains "Industry Performance Surveys" that contain detailed statistics by merchant type, region, company size, sales path, etc. This information is available to all members by contacting the Research Department.

Quarterly Business Conditions Reports (QBCR) can be used to track 10 key PAR measures throughout the year. The 2nd Quarter 1987 survey was recently completed.

*A free 60-page book summarizing PAR results in-depth, **Paper Merchant Performance**, was just sent to all member headquarters and branches. Refer to it for more details of industry financial performance. Extra copies are available.*

A New Angle on Selling Disposables to Hotels

Are you selling to hotels in an area which is saturated with available rooms? John B. Walters, general sales manager for Mead Merchants in Orlando, FL, shares some thoughts on the subject.

by John B. Walters

Few people would quarrel with the statement, "You don't make money buying, you make money selling." It doesn't make any difference what type of business you are talking about—if it's a hotel business, clothing business or restaurant, this statement still applies. Mead Merchants, for instance, has approximately 130 salespeople with eight to 10 people purchasing. A similar ratio would apply to almost any other business that you would care to look at.

As people who are in the business of selling, while we can understand the thinking behind the statement, we have to make sure that our customers don't let themselves get carried away by the idea to the point at which they start to become self defeating. We should emphasize to our customers that *what* they buy is going to have an influence on *how well* they can sell.

Let's take a look at one example—a hotel that has 400 rooms. Assume that they sell each room for $40 per night, and that a guest will spend an additional $10 at the hotel for food or other items. That's $50 revenue per night per room. At 80% occupancy, that's $5,840,000 a year total revenue. Let us also assume that the hotel spends $20,000 a month in disposables—that comes to $240,000 a year, or 4% of total revenue. These aren't exact numbers, of course, but they make the point—buying disposables accounts for a very small part of the hotel's expenses.

We need to get this point across to our customers to help us as well as to help them. We all need to realize that our customers depend a great deal on us for guidance and advice. We are the experts when it comes to hotel disposables and amenities, and in more cases than you might realize, we know more about this facet of the business than they do.

We've all seen companies start cutting back on purchases, buying cheaper items of lower quality. This is especially true when business starts to get slow. The next thing that usually happens is they are out of business.

Case Examples

A couple of examples to make my point would be in order. There is a popular hotel in Daytona Beach which always has one of the best occupancy rates on the beach. I believe it runs in the 85% range. Our salesman can attest to the fact that they don't fight him on price with each and every purchase, but they do insist on quality products, good service and a fair price. The general manager and the owners at this hotel spend time selling their property by getting to know their guests, sending out postcards, thanking their guests for their visit, reminding them of things happening at the hotel and asking them to return the following year.

Another example is that of a large hotel in Lake Buena Vista. The manager made the statement one day that less than 2% of revenue is spent on disposable supplies and he spends a similar amount of time in that area of his business. What I believe he was trying to say is—if only 2% of the money is spent buying items, then he's going to spend 2% of his time in that area and 98% of his time selling his property. I believe this type of management philosophy filters down from the general manager through the rest of the people on his staff.

Applying the Theory

Now that we have looked at the theory, let's look at why it is so necessary to get hotel customers thinking along these lines. In the past 10 to 15 years, a lot of us have enjoyed tremendous growth because of the new hotels being built on every corner. I believe, with little exception, this trend is over in the Central Florida area. We will have approximately 60,000 hotel rooms in the Greater Orlando area as of January 1987. Let me try to put that in perspective. Thirty million tourists visit Florida and 9-10 million of these visit Central Florida. Let's assume they all stay in hotels with two people per family. If that's the case, we will need 14,000 hotel rooms per night to accommodate these people. If we shoot for an 80% occupancy rate, we have 34,000 vacant rooms

every night. It would take 78,000 more visitors per night to reach an 80% occupancy rate of the existing Central Florida hotel rooms!

From everything I read, Orlando is six to 10 years overbuilt. Let me share with you what I call the "Lake Buena Vista" theory and maybe this will help us understand how it is going to affect us and our customers in the future. If you draw a circle around Lake Buena Vista, the theory is that the hotels that fall within that circle or within the Disney influence, will be affected very little by our overbuilt situation. However, as more hotels are built closer to Lake Buena Vista, that circle is obviously shrinking. A lot of hotels that used to be under that Disney influence are now outside of the circle and will have to start doing other things to attract people away from Buena Vista and to their properties.

Lowering room rates to compensate for slow periods may not be the answer. This tactic may translate to our guests as "we are just another hotel."

I believe we are entering into a very mature time in our business. We and our customers need to be aware of this and recognize what to do about this situation. When we were growing at 20% and 25%, hotels could be profitable with people coming in for the first time. They did not have to be concerned about guests returning in the future.

In the kind of market we are now facing, hotels need to be concerned about their current guests because these are the people they need to attract for the future. The only way to do this is to give them a pleasant experience with the value that they are expecting. If the sales department is selling eight ounce New York strip steak out the front door and the purchasing agent or food or beverage manager is bringing six ounce round steak in the back door, that is not a good experience or a good value. If the sales department is selling first class rooms with all the amenities and quality disposables, and the purchasing agent is buying second class products, the quality image is lost.

What I am saying is, when we had mostly first time visitors to Central Florida, it didn't make a lot of difference what type of value or perception they had. Now, because of our maturing market, a top priority must be to give the customer the perception of value and a good experience so that they will return to Central Florida in the future.

We all know hotels that have been giving customers good value and a good experience and they are, without a doubt, the most profitable properties in our area. We all know hotels that do not follow this philosophy. These hotels need to learn that lesson and begin practicing it or they will be the next ones to file Chapter 11. They need to see you as the expert they can trust in the area of hotel amenities and disposables. We need to know the owners, the general managers and hotel salespeople as well as food and beverage and purchasing agents, housekeepers and maintenance people.

We have the greatest potential growth with our present customers. We want them to call us first for their every need. Even if we, as a company, can't help with a particular problem, we still want to be the one able to recommend where they can find the item or service needed. That's the type of service that will set us apart from our competition.

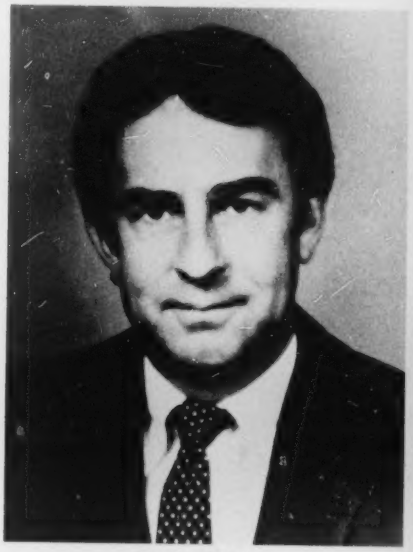
I know this sounds idealistic and euphoric, but I sincerely believe each one of us can make a difference.

I believe we are entering into a very mature time in our business. We and our customers need to be aware of this and recognize what to do about this situation.

Author Walters at home in Florida.

How Training Can Work For Paper Distributors

Michael Ibison explains the four elements of training and some of the methods currently available to any company seeking to improve employee productivity.



Michael Ibison

From an academic perspective, *training* is defined as the process of "increasing the individual's knowledge in a *particular* area." This differs from the definition of *education*, which is "the process of increasing one's *general* knowledge of the total environment." At an industrial level, training has the objective of "enhancing or modifying performance through the introduction *and application* of new skills or knowledge." The performance of an employee is the result of four elements working in concert. The four elements are:

- Inherent Ability: The basic *personality* and *aptitude* to perform a job.
- Knowledge: The technical (product and procedure) *understanding* of a job.
- Skills: The appropriate *methodology* for a job.
- Experience: Actual time spent performing a job.

The elements form a continuum and cannot be treated as separate from one another nor *substituted* for one another. Distributors tend to lean heavily on experience based on the belief that experience, by definition, suggests that inherent ability, knowledge and skills are present in an individual. We know from many experiences, some painful, that this is not necessarily true. It is also not unusual to see product and procedure training represent the majority of training efforts by a distributor. There is no question that this is an important part of employee development, but it is *not* a substitute for skills training. Optimizing employee performance involves *all* four elements working in unison. Effective initial selection designed to determine *inherent* traits compatible with the job is basic to ultimate performance. *Quality* experience enhances performance through the gaining of confidence and exposure to variable situations. Quality experience involves management support and commitment, formal and informal reward systems, the working environment and so on.

Of the four elements, two are most often not dealt with effectively. Initial selection of personnel is done somewhat informally and, again, experience is heavily used as a hiring criterion. Skills training is generally done sporadically and in single doses rather than executed as a consistent part of employee development. Analysis of why this happens shows two primary reasons:

- Training, especially skills training, is viewed as an expense rather than an investment in employee performance.
- Measurable results of the training sometimes are not visible.

If the assumption can be made that proper skills training enhances performance and that enhanced performance has a positive financial impact, then skills training is clearly an investment in the company.

When training does not create the desired results, one or more of three things has occurred:

- The training concepts are inconsistent with the operating philosophy of the company.
- Management is not prepared to support and reinforce the concepts in practice.
- The training is not well-delivered.

In terms of the operating philosophy impact on training effectiveness, the trainee has to perceive that application of the approaches and concepts will not only result in greater reward to him/her, but that the approaches and concepts are acceptable and supported by management. Managers must be prepared to reinforce, through supervision, the execution of the training principles, and assure that excellence in execution results in increased reward to the employee. Delivery of the training is critical. Whatever the subject matter, there are certain presentation principles which must be present. The trainer should be an effective communicator, material must be presented in an orderly manner, visual reinforcement of the material must be used and the trainees must see a direct application to their job role.

For most distributors, the training that is done tends to be heavily oriented to the sales function. Sales development training is certainly an area warranting

considerable attention. However, there are other job functions in the distributorship which can benefit from skills training. Virtually any function that interfaces with customers is a strong candidate for training. Supervisory and management skills is a much overlooked development area. Executive level planning and strategy skills, interpersonal skills for all employees, telephone skills and time management concepts are all valid areas for development across the spectrum of employees.

Today, there are a number of new, innovative training delivery methods available at very reasonable costs to distributors. Trade associations are working to make these available and they are available from other sources as well. One of the delivery methods offering great promise is the use of videotape programs. We know that the added dimension of visual presentation aids in the learning process and that repeated exposure to concepts tends to enhance learning and, most importantly, application. Video offers a cost-effective way to do both. It is now possible to acquire complete libraries of video programs ranging through introductions to the industry, product training, skills training, management development and motivational programs. It is also possible to have custom-made programs developed for specific company requirements at very reasonable costs. The initial investment for video training equipment is low, and many companies already have it. The NPTA has developed a number of video-based programs for its membership presented by some of the leading trainers, consultants and motivators in the field.

Effective delivery of training is becoming increasingly cost-effective, thus making it an even more viable investment for a firm of any size. Many small firms view a formal training program as a "luxury" that only larger companies can afford. The truth is that company size does not affect the *importance* of employee development, and it may be an even *more* critical activity for the developing company.

A fundamental question is, "Does it work?" The answer is an emphatic "Yes." Done in the context discussed here, skills and developmental training can have a measurable and positive effect on company performance. The major coporations have had a firm commitment to training and development in place for many years. We can be reasonably certain that their commitment to training is not entirely benevolent. They have seen that employee development is essential to individual employee growth and therefore to the total growth and development of their companies. The typical distributor is certainly not going to spend the *level of money* spent by these larger corporations, but that does not mean the the *level of commitment* must be any less.

The distributor manager should ask himself these questions:

- Am I completely satisfied that my employees' performance is all that it can be?
- What opportunities are available to me to improve performance?
- Am I prepared to invest in my people?
- Have I defined the objectives to be achieved in a training program?
- Am I prepared to manage and reinforce skills training concepts?

The answers to these questions will not only help determine need and set a direction for employee development, but determine the probability of success of a training program.

Training is the process of increasing the skills and knowledge of a person to do a specific job. As such, it plays an important role in directing the efforts of the employees toward the defined objectives of the organization. Without training, it is unlikely that an individual's performance will go beyond that made possible through his/her inherent skills and intuitive understanding of a job. When employees reach that "performance plateau," their motivation, view of themselves, the future and their sense of their profession suffer. Training, in and of itself, does not totally prevent this from occurring, but a well-designed, on-going training and development program, working with the other performance factors, can substantially reduce these effects. To the employees, it represents a commitment to them by the company. The combined effect can have a dramatic impact on motivation and performance.

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The Multi-Branch Paper Distributor of Tomorrow

*In February, NPTA presented a two-day conference for merchant executives looking for innovative ways to increase the distribution productivity of their firms. **Maximizing the Potential of Multi-Branch Networks** provided 30 top company executives with action-oriented solutions to current problems in this industry. Participants were given advanced techniques for branching, marketing, physical distribution, information processing and organizational management.*

by Denis F. Healy

A multi-location network is—or should be—more than the sum of its parts. This conference has been dedicated to the premise that it is possible to maximize the market impact and operating performance of a collection of semi-autonomous business entities. To take advantage of the network, a new perspective and concerted management effort is needed.

The Current Situation

By and large, multi-location businesses today are still fragmented and insular in terms of how they are managed. There are lots of pieces, lots of locations, but they aren't terribly well integrated. Or they are integrated in parts, but there are other parts that are not integrated at all.

Inertial Effects

There is inertia in many of these organizations which inhibits adjustment to changing market trends and operating conditions. As a result, there is underutilized and underleveraged capability in many multi-location businesses. Many multi-location businesses have been managed more as cost centers than as profit centers. We need to take a look at whether that concept of the business as a cost absorber is really an appropriate one.

Distribution is a labor intensive business. Assume that logistical costs are 65% of total. If you looked at what those costs represented, you'd find that a substantial portion—perhaps 70-80%— is people costs. Layer onto that the costs of sales and service people, etc., and you have a very labor-intensive business.

At this stage of the game, most businesses that are multi-location are asset burdened. They are inventory concentrators. Yet, when thinking about the future, we must ask, "Is this really how we want to run this network?"

We live in an era of competitive incest—we watch each other as competitors, we overreact and mimic. If that is the dominant mode of operation, as opposed to being proactive around customers and market segments, then we never leverage the business beyond what our competitor allows us to do. That is tragic.

Yes—there are some things to be learned from each other. This does not necessarily mean that you should clone the organization, but rather you should come up with tailored, similar systems and procedures for addressing customers and suppliers.

Management Practice

Many multi-location businesses have grown by default rather than by plan. Somehow, you end up with more branches than you really need or expect. In some cases growth has not been managed in a strategic way. As a result, many multi-location businesses are atomistic—an array of locations without linkages between the atoms or molecules. With an atomistic business, there is no opportunity to build operating leverage and synergies.

There are few operating guidelines or models for running a multi-location business. As a result, there are a lot of free-form organizations in your industry. What I seek is an evolution from free-form to systems-driven multi-location networks which need not become inflexible and irresponsible. In fact, the quest is to increase the robustness and overall productivity of each location in the network. Think about cloning parts of the organization. Rather than let it be free-form, identify what can be tailored, and what you can exploit and clone.

Sales Force Dominance

Many merchants have allowed their businesses to become driven by the sales force, rather than by customer need and marketing strategy. This mode of operation cannot be afforded any longer. The most expensive part of your organization is your sales force. First, you pay them a lot. Most important, they represent you at the critical interface in the marketplace—between you and the customer, and between you and the prospect. An ineffective

or uncaring salesperson can do immeasurable damage to customer relations. The sales force should not be allowed to dictate how the business should be run.

Organizational Paralysis

Many paper merchants have allowed rigid organizational structures to develop. This stifles the responsiveness of the organization, rather than allowing it to flex and grow. Most multi-location businesses that I study are habitated by "independent generalists" as opposed to "interdependent specialists."

In the future, however, such mediocre norms and organizational constraints will not be tolerated by customers. To achieve profitable growth, you must conduct a Marketing Productivity Audit of each branch and the entire network.* Central to this analysis is an assessment of the talents that are needed to function effectively.

Focus on Tomorrow

These observations may not fit your picture of the world. And perhaps I am over dramatizing the negatives. That is for you to decide. What is important is that you make an objective assessment of your situation, and then focus your energies on preparing the business for tomorrow.

Now let's speculate about what the multi-location network of tomorrow will look like. It would appear that the following events either will come about naturally, or will have to happen, if multi-location businesses are going to be a factor in the marketplace.

Set the Business Direction

First, you must rationalize the business. Look at your collection of locations—these collections of resources, people and markets—and make careful and difficult choices about which ones are going to grow, which ones are going to shrink or go, and which ones will be remarketed. In effect, you need to evaluate and possibly reconfigure the composition and direction of your portfolio of locations.

There are many choices which relate to your company, its mission, its strategy, where it's going, why it's going there and how it's going to get there. That is a major task. It is the key task confronting senior management of every paper merchant business. You must look at what you've got and what it's going to be like two years, three years, five years from today.

Develop Synergies

Secondly, you need to look at ways to make the business more synergistic, to leverage it, to take advantage of the multiplier effect of having many locations. Where are these multipliers? Are you using them? Promotional effectiveness, inventory management, buying better, selling better—are you doing it? If not, then find ways to leverage your organization, to take advantage of the talent.

Building a Customer Service System

You need to think of your business as a dedicated system rather than as a bunch of free-form organizations. You must help your people buy into and commit to operating in a way that says that they understand what the business stands for.

You should become far more systems-intensive. You need to clarify how you address the market and you must establish a systematic approach regarding how business is brought into and through the organization. Pay attention to how you process orders, communicate with your customers and suppliers, how you get it to the customer and how you close the loop so that you are sure to serve the customer well.

The central questions to be addressed are: Is your system tailored to the markets and the realities of your organization? Have you designed it to work to your benefit and to the benefit of your customers?

Become Information Intensive

In the future, your customer-serving system will have to be information-bountiful. That is where the investments need to be made. You will need to trade off physical assets like inventory for information. This is, I think, a major transition that will take place in the next two to three years. Effective use of information will allow you to reduce asset investment, while maintaining *or even increasing* service levels to customers.

Adopt a Holistic Perspective

The reconceptualization of the paper merchant business from the narrow view of a warehouse, trucking company and bank, to the vision of the business as a service center has been enlightening for executives. Many now realize that they must look at their business as an organic whole, rather than as a bunch of isolated pieces.

When you start looking at your business as an organic whole, you begin to see ways of leveraging it, expanding it, strategizing around it. Planning for growth no longer is an aca-

*Refer to Denis F. Healy, *Increasing Profits Through Better Marketing: The Marketing Productivity Audit: NAW-DREF, Washington, D.C., 1982*

It is a fatal error to assume that customer service is just going to happen.

demic exercise, but rather it becomes one of management's most important activities. In addition, the planning commitment leads you to examine strategies, competitive position and business approach. In a sense, what is called for is a redesign of the architecture of the business.

Leverage Your Reputation and Name

Consider the Marriott Hotel chain. The real equity is in their name—not in their facilities. Anyone can have a hotel. This needs to be understood. You need to know customer perceptions, and you need to promote your position. The strategic perspective has its roots in providing customer satisfaction. Your business and mine should be driven, not by the sales force, but by customer satisfaction. You need to take your cues from the marketplace. Customers are the people that pay you; your company is just the bank. Learn as much about your customers as you can, and then orchestrate your whole business around providing satisfactions that they are willing to pay for.

Transitional Imperatives

In this new era of paper distribution, it will be necessary for all of us to make the transition from the perspectives and practices of the past to new approaches for viewing and conducting business. Several key transitional imperatives are considered next. I encourage you to look at your business and engage in a strategic reassessment of who you are, what you stand for, what your customers, suppliers and employees think you stand for and what you should stand for as a business. If there are major gaps or disagreements in the answers, then you should take another look into repositioning, restructuring and refocusing your business.

Market Analysis

There is a need to engage in target marketing, and to acknowledge that the marketplace dictates what kind of business you should be in. You must make careful choices. Through sound and creative analysis you can decide where to target your energies and whom you want to avoid. This will require a far more precise definition of market segments—by size and buying behavior, by expectations and industry orientation.

Information Management

You need to look at your business as an information management system, and to recognize that the vital fluid, the blood of your organization is information. And if information doesn't go to all parts of the organization and nourish them, then the obvious consequence is that they start to atrophy. Either your branches lose share, or they will incur dramatic cost increases because they are not targeted properly.

Find ways to trade off your investment in receivables, inventory and facilities against information. I call this the information-assets inversion. Use the information to divest yourself of assets that you don't really need.

Human Resource Development

An investment in your people is an investment in your future. As you orchestrate the transition into the future, you will need to invest heavily in human resource development—not only skills training, but also in fostering an understanding of what the business is about—its mission, culture and who the customer is. It is unfortunate that the people in your business who need to know the most about the customer are often the ones who know the least. Telephone operators, service personnel, truck drivers, order pickers—many of these important people have no concept of who the customer really is. Yet they have the greatest day-to-day impact on customer relationships—far more than us. What are we doing to help them understand what it's all about?

Service Engineering

It is a fatal error to assume that customer service is just going to happen. To ensure high service levels requires a dedicated, analytical approach—service engineering.

Service engineering entails looking at customer expectations and matching them to service delivery. It involves designing, directing and monitoring all aspects of the interface between the customer and the company. The underlying objective of all this is to render consistently high levels of customer service—at a profit. That is what McDonald's has done very successfully.

Portfolio Management

A multi-location network can be viewed as a portfolio. As with a stock portfolio, it needs constant attention and adjustment. In this light, it is important that you look at your organization in terms of selective opportunities to prune it as well as to let it grow. In an age where many believe that bigger is better, I urge you to look at the benefits of being leaner. A

good exercise is to examine where you can adjust the size of your base of customers, suppliers, employees and assets.

Technology Assimilation

A major issue upon which we've touched throughout this article is your ability to assimilate technology of all kinds. The most visible is product technology, which your suppliers give you. Of equal importance is the technology of managing the business more effectively. This is not as visible as product technology, but it is just as important and it is changing rapidly. Those who fail to adopt the new technologies of information, management, marketing and human resource development are destined to achieve reduced market effectiveness and reduced operating productivity. Since the impact of these technologies is greatest on multi-location networks, it is essential that you attain a leading edge.

Logistical Rationalization

Finally, is the need to evaluate your business from a logistical perspective, to look at the business as a set of pipelines through which information, products and cash flow from one end of the system to the others. This involves looking at all aspects of these flows in terms of who's doing what, where and what it's costing you. I can guarantee that you will find opportunities to shift functions, to eliminate them, or to redesign them to achieve economies.

Strategic Perspectives on Managing the Network

Looking to the future, there are a number of strategic actions that executives of multi-location networks must take. These are framed as a series of commandments—strategic "dos" and "don'ts".

THOU SHALT

- have a strategic perspective on your mission, your markets and your resources.
- conceptualize your market coverage approach, your network and know your competitive position.
- know your customers, suppliers and competition at least as well as they know themselves.
- commit to clear, reliable, value-adding customer services.
- reduce layers and hierarchical impediments to decision making and information sharing.
- know yourself and your people, your strengths, weaknesses and leadership style.
- manage for profitable growth via networking and service engineering.
- stimulate achievement through clear expression of your corporate culture, human resource development and performance-reward balances.
- state expectations and compensate people both monetarily and psychically in keeping with those expectations.
- determine customer perceptions of your organization and of your competitors.
- view competition in the context of serving the customer best rather than as outwitting competitors. Competition is truly competition for the customer.
- use information as a tool, not as a weapon.
- build a knowledge organization.
- identify network and operational models beyond paper distribution.
- think big, but act small.

Commandments cut both ways. Those listed above encourage actions; others discourage certain behaviors. Here are some actions to be avoided:

THOU SHALT NOT

- be seduced by elusive promises of scale economies and market potentials.
- neglect the core of your organization as you expand the circumference.
- add locations without testing strategic fit and market rationality.
- assume that customer service is the universal orientation of your employees, your suppliers, or, for that matter, your customers.
- ignore the remedial opportunities and logistical realities available to you.
- overlook opportunities to eliminate redundant overhead, to reconfigure your branch portfolio and to reposition and streamline your organization.
- conclude that the only competition you face is from companies that look and behave like you.
- let myth and opinion crowd out the facts.
- allow your data processing capabilities to paralyze your decision making process.
- depend on the past to shape your future.

Meeting the Challenge

Management of multi-location networks is a most challenging task, particularly in light of accelerating pace of change. The strategic perspective put forth here can be invaluable in reconfiguring your network to meet the demands of tomorrow's marketplace.

Chief executive officers around the country have asked for a follow-up to the February "Maximizing the Potential of Multi-Branch Networks" Conference. There are numerous issues that can be explored further.

The Association is pleased to present its second annual conference in February 1988. Watch for more details in MN *or contact Bruce H. Linden at Association headquarters, 516-829-3070.*

IRS Inventory Capitalization Regs

The new IRS inventory capitalization rules are a crucial issue and will affect paper distributors substantially. This article is intended to give merchants a summary of the regulations and a status report of NAW's response to the IRS on behalf of its wholesaler-distributor members.

As a requirement of the Tax Reform Act of 1986, wholesaler distributors with gross annual receipts over $10 million must comply with the interim inventory capitalization regulations issued in March by the Internal Revenue Service. (Treas. Reg. Section 1.263A-1T.)

The requirement that wholesaler distributors and retailers capitalize to inventory certain previously immediately deductible costs has been a "fly in the ointment" of a law which is otherwise favorable to the wholesale distribution industry. The provision was *not* contained in the original House bill, and its appearance in the Senate bill marked a radical and unnecessary departure from tax and accounting principles.

Under prior law, capitalization requirements were applied in circumstances in which the incurring of business expenses and, therefore, deductions, was out of step with receipt of income, which distorted tax liability. Since wholesaler-distributors have a close matching of expense and income, such a provision seemed to be unnecessary.

Concessions Obtained

Through grassroots efforts of NAW members, coupled with NAW's Washington staff efforts, complete exemption from the rules was obtained for companies under $10 million in gross receipts. Moreover, the potential burden posed by these rules was substantially eased for wholesaler-distributors in the House-Senate Conference negotiations. House Ways and Means Committee Chairman Dan Rostenkowski (D-IL) succeeded in obtaining simplified methods of applying these rules to wholesaler-distributors and retailers with annual gross receipts over $10 million (rather than the $5 million originally contained in the Senate bill).

Content of Regulations

The content of the interim regulations tracks closely the provisions contained in the Conference Report. (These Conference provisions provided guidance until the IRS issued regulations.) The Report sets forth four categories of indirect costs to be allocable to inventory using the simplified method:

1. Offsite storage (generally applicable to retailers, not wholesaler-distributors) and warehousing costs;
2. purchasing costs such as purchasing agents salaries;
3. handling, processing, assembly, repackaging and similar costs, including labor costs attributable to unloading goods (but not including labor costs attributable to loading of goods for final shipment to customers); and
4. the portion of the general and administrative costs allocable to these functions.

The NAW Response

The NAW analyzed the regulations with the help of a Technical Advisory Group made up of executives of member wholesale distribution companies. Subsequent to that analysis, a 22-page report/comments was sent to the IRS on May 29, 1987 by Nicholas E. Calio, senior vice president-government relations. The main points and suggested modifications in the NAW report include the following:

NAW opposed applying the uniform capitalization rules to wholesaler-distributors because the rationale for requiring costs to be capitalized is to provide a close match between expense and income. Yet, the very closeness in time between the acquisition of the product and its sale in the distribution business naturally results in a reasonable and proper matching of expense and income.

Applying the rules to wholesaler-distributors requires them to set up a whole new accounting system for tax purposes which does not conform to Generally Accepted Accounting Principles (GAAP). Perhaps most importantly, it engenders significant, on-going administrative costs for wholesaler-distributors while generating little long term revenue for the government. In essence, it is a one-shot effort to raise revenue by requiring retroactive capitalization of some portion of a current year's indirect costs against the closing inventory in the year in which the new rules take effect.

The definition of "produce" should be narrowed and a definition of "sale" should be provided.

Change made by the temporary regulations to the allocation ratio for storage and handling costs originally set forth in the Conference Report results in an over-allocation of such costs to inventory.

IRS is to be commended for providing realistic "repackaging" and "distribution" cost exceptions to the requirement that certain "handling costs" be capitalized, but the entire section appears to be written solely from a "retail" point of view, and, as such, fails to fully reflect the nature and realities of the wholesale function consistent with the purpose of capitalizing costs to inventory.

A catalog or mail order center should not be defined as an "off-site" storage facility. The simplified resale method should be truly simplified, to the benefit of both taxpayers and the IRS, by permitting Section 263A costs to be treated as an additional inventory to be maintained for tax purposes only.

Taxpayers should have the opportunity to develop accounting procedures under the new rules before being "locked in."

COLLECTING BY TELEPHONE

LEARN TO COLLECT MORE MONEY IN LESS TIME

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Learn how to deal effectively with typical responses to your payment requests, as well as focusing on how to deal with reasons (excuses) for non-payment. The cost of the program can be paid back many times over with one successful phone call!

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TEXT: The main text is found in an attractive 3-ring binder and consists of two study units:

• "Collecting by Telephone" – Aimed at teaching how to approach debtors through successful:
- telephone image
- record keeping
- implementation of the 3-step collection process which includes planning, making and following up the call.

• "Handling Debtor Objections" – This section tells you what are the usual debtor responses and suggests how to respond to their claims.

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CARD # _____ NAME APPEARING ON CARD _____

SIGNATURE OF CARD HOLDER _____

THE TOTAL AMOUNT OF MY ORDER IS $ _____

FOR INTERNATIONAL MAILING-$49.99 =$5.00 SHIPPING AND HANDLING. CHECK MUST ACCOMPANY ORDER IN U.S. DOLLARS DRAWN ON A U.S. BANK

NAME _____ TITLE _____

COMPANY _____ PHONE _____

STREET ADDRESS _____

CITY/ STATE _____ ZIP _____

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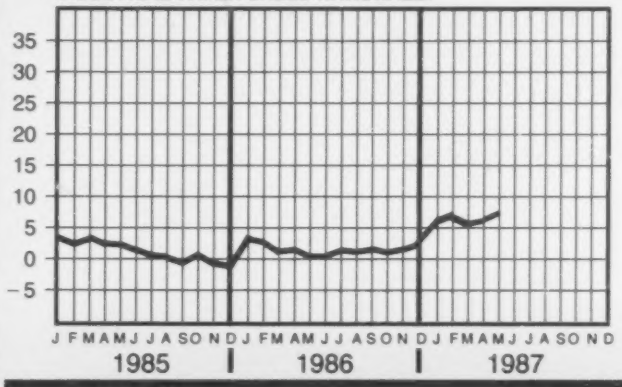
Summary National Trend Information: 1985 To Present

NOTE: *BEGINNING WITH THE JANUARY 1986 REPORT, STATISTICS WERE PRODUCED BY A NEW SYSTEM. THEREFORE, STRICT COMPARISONS TO PRIOR REPORTS SHOULD NOT BE MADE.*

SALES INFORMATION

YEAR-TO-DATE SALES PER SELLING DAY AS A PERCENTAGE OF PREVIOUS YEAR'S YEAR-TO-DATE SALES PER SELLING DAY

INDUSTRIAL PAPER SALES NATIONALLY

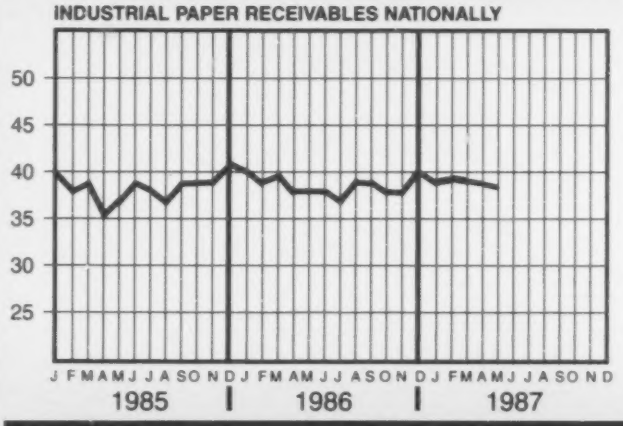


PRINTING PAPER SALES NATIONALLY

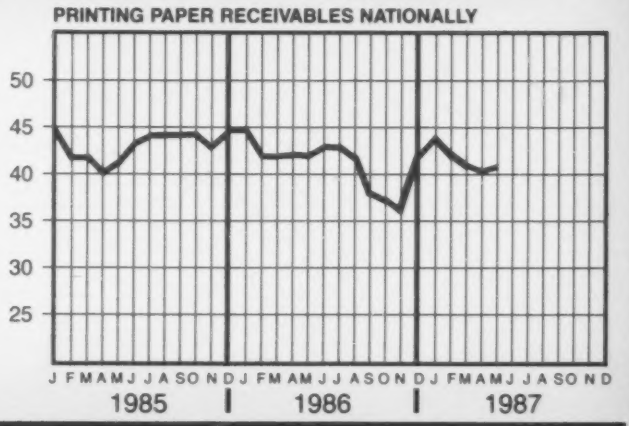
RECEIVABLES INFORMATION

DAYS OUTSTANDING—ACCOUNTS AND NOTES RECEIVABLE FROM PAPER SALES AT END OF EACH MONTH (IN CALENDAR DAYS)

INDUSTRIAL PAPER RECEIVABLES NATIONALLY



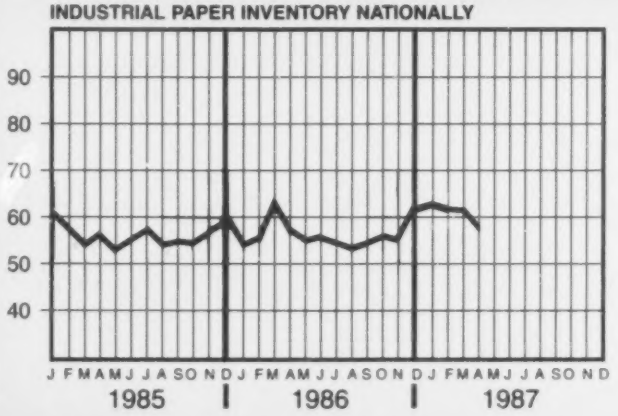
PRINTING PAPER RECEIVABLES NATIONALLY



INVENTORY INFORMATION

CALENDAR DAYS COST OF ENDING MONTHLY INVENTORY (FIFO) (IN CALENDAR DAYS)

INDUSTRIAL PAPER INVENTORY NATIONALLY



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- Corrugated Circles, Pads & Trays
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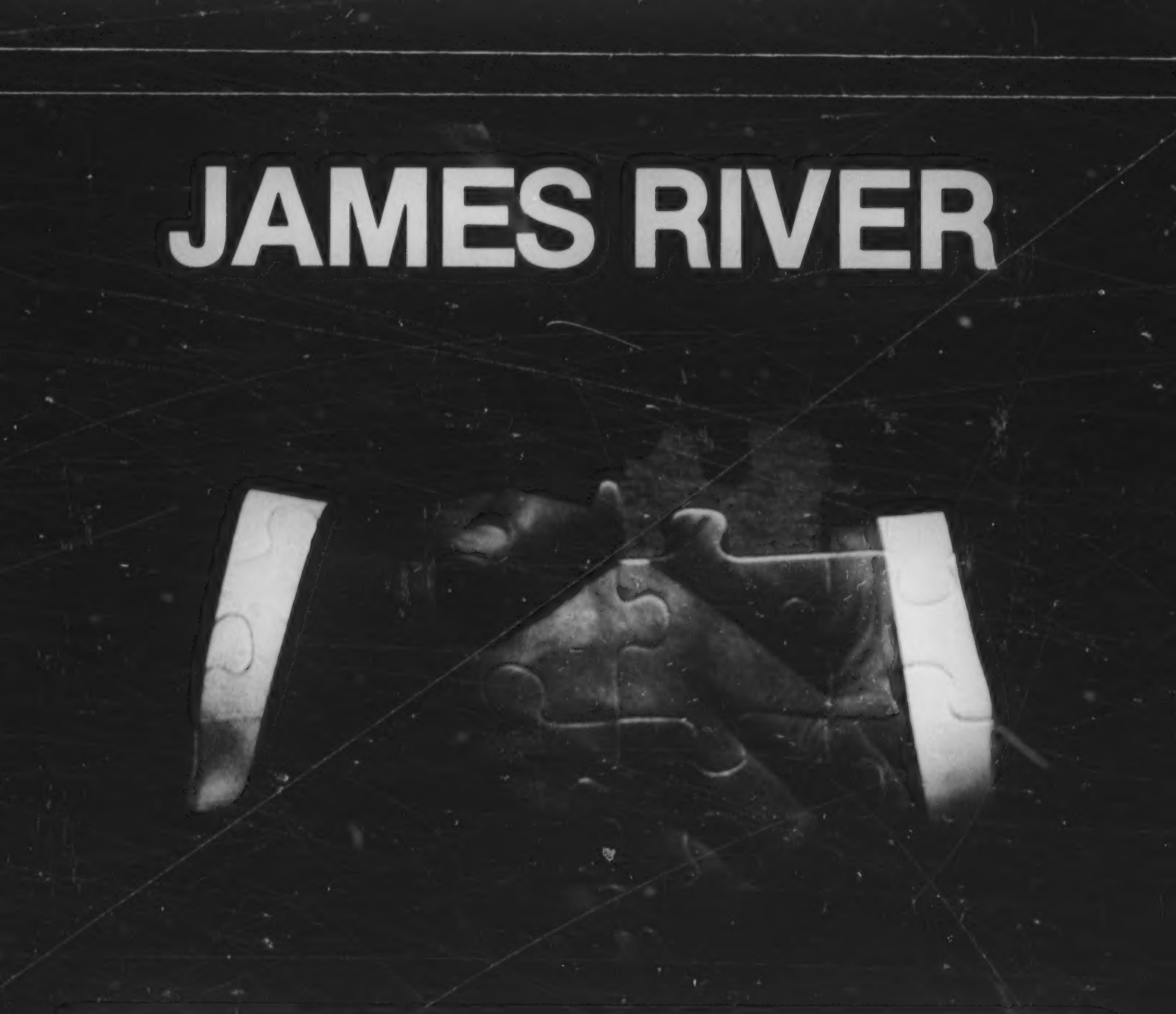

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For instance: we've got "System-selling" seminars that train your reps to sell customers, not just disposables. And when your people ask for help, we'll put ourselves on the line and make sales calls right alongside them.

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